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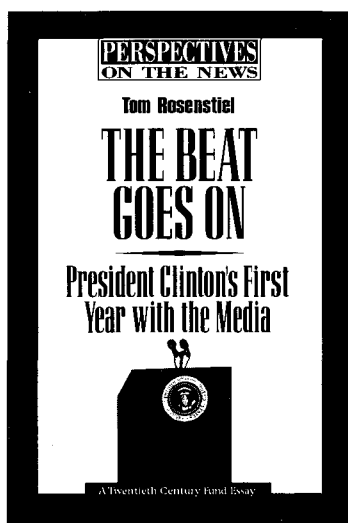
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THE AMERICAN PROSPECT

A Journal
for the
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Fall 1994

Number 19

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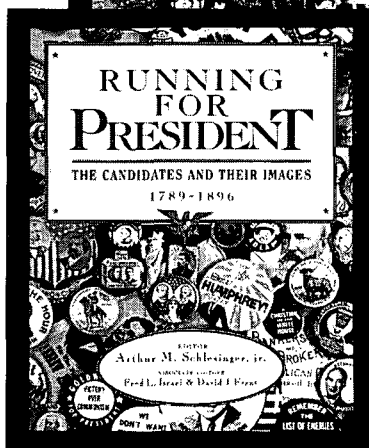
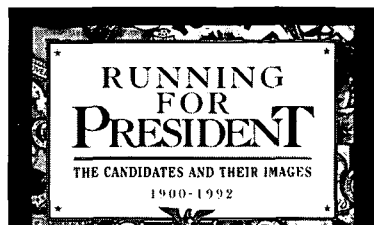
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The Disengaged

Paul Starr

David Hackett Fischer's new book, *Paul Revere's Ride*, is a cautionary tale for Democrats who expect their heroes to produce results overnight. The story of Paul Revere has come down to us as a tale of individual daring. In our national memory, he rides through the night single-handedly spreading the alarm about the redcoats to individual farmhouses. But, as Fischer shows, Revere was part of an extensive network. He was a member of five political organizations in Boston (only Joseph Warren belonged to as many), and he had served as a rider and emissary before. As we might say today, he was an organizer and a networker; he knew, quite literally, which doors to knock on. On the night of April 18, 1775, Revere and many fellow riders did not simply alert individuals; they "awakened the institutions of New England." Fischer explains:

The midnight riders went systematically about the task of engaging town leaders and military commanders of their region. They enlisted its churches and ministers, its physicians and lawyers, its family networks and voluntary associations. Paul Revere and his fellow Whigs of Massachusetts understood, more clearly than Americans of later generations, that political institutions are instruments of human will, and amplifiers of individual action.

The same was true, Fischer argues, of the fighting the next day. We imagine individual farmers firing their muskets at disciplined British Regulars—individuals versus the group—failing to realize that the minutemen fought controlled engagements as members of groups that had built up trust working together for political ends.

"Here again," Fischer writes, "America remembers the individual and forgets the common effort."

Today, most of the institutions that have historically formed the basis of common effort—political clubs, community organizations, unions, and other civic associations—are in disrepair. We never had much of a tradition of honoring the patient work of political and civic organization. Now the very idea of affiliation in clubs and unions has become unattractive and unfashionable to a middle class that celebrates independence. But without groups built on mutual trust, people can have little sense of their own political efficacy. One of the most troubling developments of our time is not simply the declining confidence in politics. It is the growing attitude that politics is something "other"—an imposition, a parasitic growth. But if people do not regard the nation's civic and political life as their own, democracy becomes little more than the rules of a political game. Which is, of course, how many Americans have come to think of it.

To be sure, we have many national political, civic, and interest group organizations that claim millions of people as members. Their members, however, are generally only donors to direct-mail campaigns who have no active role in the organization and, perhaps more important, do not know each other. The organizations may speak on behalf of the public, or at least part of it, but at the ground level they are not built on a foundation of mutual trust among people who have learned how to work together.

Few Americans now invest much of their identity, much less time and commitment, in the civic sphere. "Public ser-

vants"—the term itself has come to connote ridicule—are presumed incompetent until proven otherwise. But who else among us has time for the community? In the past, much of the voluntary work of the civic sphere was performed by women without paying jobs and by men whose wives took full responsibility for the home. Both now come home from work—indeed, from a longer work week on average, as Juliet Schorr points out in her book *The Overworked American*—facing what the sociologist Arlie Hochschild calls "the second shift," the work and responsibilities of family life. They can barely find time to buy groceries, cook dinner, and catch up with their children's day at school. How can also they find time for a *third shift*—the evening meeting of the school board, the political club, the neighborhood association?

There are, to be sure, new and emerging forms of political communication and civic involvement. The Internet's far-flung discussion groups have created new connections and communities. One of the novel efforts to rebuild civic involvement today goes by the name of "civic networking" and involves the creation of local electronic networks linking citizens to each other and to public and voluntary organizations. Unlike direct mail, the new technology does permit real participation. Pending telecommunications legislation in Congress includes provisions that could help foster the revival of the civic sphere on the new information superhighway.

These are promising alternatives that deserve support, but it is hard to believe the new forms of electronic association will be an adequate substitute for the old-fashioned, face-to-face affiliations built on friendship, loyalty, and trust. For a century, middle-class progressives have regarded many of the organizations based on local or ethnic affinities with great skepticism, suspecting corruption, parochialism, and partisanship (as if they were all equally bad). But these organizations have given

many people real access to the political system and provided accountability for political leaders. Without them, politics turns into another marketplace, dominated by candidate-entrepreneurs who prove most adept at assembling the resources, especially money and media advice, to wage campaigns that require no roots in the organized life of their constituents.

The attenuation of the civic sphere has been a continuing theme in these pages.* In different ways, several of the articles in this issue are about the same problems. As both Joshua Gamson and Jonathan Cohn argue, the shift toward tabloid TV news coverage succeeds where people do not identify their interests with the larger community or care enough to demand information about it. And, as Michael Schudson shows, our privatized and individualized conception of citizenship imposes burdens on voters they cannot possibly bear. Low and declining voter turnout stems not so much from failing individual motivations as from the frayed web of political affiliation. Voting, in fact, makes no rational sense as an individual act; any given individual's chance of influencing the outcome of an election is vanishingly small. People are more likely to participate as voters the more they think of themselves as members of extended groups and parties with common interests.

One of the great imperatives today is to rebuild the civic and political institutions that help sustain that sense of membership and engagement. Americans of a new generation must recreate the practice of democracy in a way that fits the new shape of our lives and our society. There is no simple recipe, but we must work at it as if our country depended on it. It does.♦

* See, especially, Richard M. Valelly, "Vanishing Voters," No. 1, Spring 1990; Karen Paget, "Citizen Organizing: Many Movements, No Majority," No. 2, Summer 1990; John B. Judis, "The Pressure Elite: Inside the Narrow World of Advocacy Group Politics," No. 9, Spring 1992; and Robert D. Putnam, "The Prosperous Community: Social Capital and Public Life," No. 13, Spring 1993.

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What I Really Say About Balancing the Budget

Peter G. Peterson

However you look at it, America is failing to prepare for its economic future. Each decade our savings performance worsens, and each decade so do our prospects for higher living standards. During the 1960s, U.S. net national savings averaged 8.1 percent of GDP. During the 1980s, that rate fell by half (to 3.9 percent). Thus far in the 1990s, it has fallen by half again (to 1.7 percent) and today it amounts to a mere fraction of the rate of any other industrial country, large or small.

The decline in U.S. domestic business investment has been equally dramatic, except to the extent we have borrowed from foreign creditors. Public investment is also flagging. Of every nondefense dollar the federal government spends, only about 5 cents now go to build any tangible thing that remains standing after the fiscal year is over.

Commissions, task forces, and public figures are nearly unanimous on our need to change course—and soon. This is not just a Republican concern. Governor Mario Cuomo says that our savings and investment decline is “the nation’s basic problem.” Senator Bill Bradley calls it “a crisis.” President Bill Clinton warns that it is “condemning our children and our children’s children to a lesser life than we enjoy.”

Few disagree with this consensus. But there are some vocal commentators who, if they don’t openly dissent, carry with them such weighty ideological baggage that everyone understands their real agenda lies elsewhere. Prominent among them are certain “supply-side” dogmatists who would

gladly mortgage America’s future to pursue their libertarian fantasies. Prominent also are certain “progressive” crusaders whose egalitarian passions blind them to any issue that cuts across well-worn stereotypes. A good example of the latter is Robert McIntyre, at least insofar as his views are reflected in an essay that recently appeared in this journal. (“The False Messiah: Pete Peterson’s Revelations Are Not Gospel,” Summer 1994.)

There is also emphatic consensus that cutting the federal deficit is critical to improving our national savings and investment performance. A gradual reduction in the deficit will, over time, generate something close to a dollar-for-dollar increase in national savings.

We cannot eliminate the deficit—nor even reduce it very much for very long—unless we slow the growth in federal benefits to individuals, known in Washington-speak as “entitlements.” Entitlements now amount to 54 percent of the federal budget—or 12.1 percent of GDP. Along with interest on the national debt, they are projected to account for all real growth in federal spending over the next decade. Within ten years, rising entitlement costs will add 2 percent of GDP to federal spending; within twenty years, they will add 3.9 percent; within forty years, 8.7 percent.

The need to confront entitlements has been articulated by a rapidly growing number of leaders who are not only—nor again, even primarily—members of the Republican Party. Indeed, the most aggressive cost-cutting proposals are coming from a rising generation of Democrats. These in-

clude Senators Bob Kerrey and David Boren, and Representatives Tim Penny, Charles Stenholm, Nathan Deal, Eric Fingerhut, Jim Bacchus, Lin Schenk, and Marjorie Margolies-Mezvinsky. Their concern is not just the deficit. They are also worried that endless growth in federal payments to an "entitled" cross-section of American households threatens to drain government budgets of all future-oriented spending. Robert Shapiro, economist for the Progressive Policy Institute, recently challenged fellow Democrats to come up with a "cut and invest" strategy—where his "cut" was an explicit reference to entitlements flowing to Americans who don't really need them. President Clinton, who in 1992 warned that America needs "more empowerment, less entitlement," has appointed a commission to study ways of controlling future entitlement outlays. By a vote of 30-to-1, this bipartisan commission (on which I serve) recently agreed that "the government must act now" to reform a system that is "not sustainable."

In an effort to bring these concerns to a wider audience, I wrote a book (*Facing Up*) and have assisted grass-roots efforts (such as those of the Concord Coalition) to initiate a national debate about deficits, generational justice, and our collective future. I laid out a plan to balance the budget by the year 2000 while at the same time *increasing* net federal assistance to low-income Americans and allocating one full extra percent of GDP toward federal investment in infrastructure, basic research, worker training, and early-childhood education and health.

The cornerstone of my plan is entitlement reform. Its components include a strategy to establish a real public-sector "budget" for health benefits; a phased-in three-year hike in the Social Security full-benefit retirement age; limitations on regressive "tax expenditures" (such as those for home mortgage interest and employer-paid health insurance); and, most importantly, a comprehensive "affluence test" for recipients of all federal benefits, from Social Security and Medicare

to farm aid and federal pensions. This affluence test would not take away any benefit from any household beneath the U.S. median income; above the median, it would employ a progressive sliding-scale that would ultimately cut benefits by as much as 85 percent for households with incomes of over \$185,000 (in 1993 dollars).

In *Facing Up*, I acknowledged the necessity of higher tax rates and some new taxes. I endorsed the higher income and corporate tax rates proposed by President Clinton before they were enacted. I also advocated phasing in a higher (50-cent) tax on motor gasoline and enacting a 5 percent value added tax with exemptions for food, housing, and education. I further pointed out that my plan could be made more progressive (as well as more efficient and easier to administer) by substituting a single "consumed income" tax for our current patchwork of direct and indirect taxes.

My message has been greeted by diverse reactions. None, however, has been so factually erroneous and thematically misguided as Robert McIntyre's aforementioned essay. According to his account, I am a "rich Republican" who plays "bait and switch" by "demonizing" entitlements while secretly conspiring to "have the middle class suffer and the rich get tax cuts." My supposed "bottom line" is that "the middle class gets too much...while corporations and the rich deserve a break." Suggesting that greed makes me "enamored of the so-called progressive consumption tax," he acknowledges none of the extensive and bipartisan interest in the idea. As for the current debate over the cost of entitlements, his gloss is weirdly conspiratorial—at times implying that if it weren't for me and perhaps Senator Kerrey, no one would be talking about it.

Some of McIntyre's mistakes are merely annoying. For example, he ridicules as a wild exaggeration my statement that Social Security subsidizes Americans for the last third of their adult life. My calculation is based on three simple facts: adulthood begins at age 21, the median age of Social

Security retirement is 62, and the average life expectancy at age 62 is 19.3 years. (I'll let the readers of this journal do their own arithmetic.) What really concerns me, however, is how McIntyre seems bent on misconstruing the big picture and falsifying my reform plan beyond recognition.

McIntyre's most absurd charge, repeated several times in various ways, is that "Peterson apparently doesn't want the rich to relinquish anything." This is preposterous—on both the benefit and the tax side of ledger. In the year 2000, in fact, my plan would cost an average of \$3,700 for a household in the \$75,000-\$100,000 bracket, \$5,600 for a household in the \$100,000-\$200,000 bracket, and \$23,300 for a household in the \$200,000-plus bracket. Yet at incomes under \$20,000, the typical household would be a *net gainer*. All of this is spelled out in detail in my book (in passages that have earned me the fury of many right-wing supply siders). McIntyre never says why or if he disagrees with my numbers. He simply ignores them.

I don't know how McIntyre misinformed himself. One possibility is that he was scandalized by my proposal that corporations receive three small productivity-oriented investment incentives, mainly to encourage R&D and worker training. But the revenue cost of these incentives is so modest—\$14 billion by the year 2000, not the "\$30 billion" figure McIntyre invents—that it couldn't possibly affect the overall distributional impact of my plan.

Another possibility is suggested by a cryptic chain of logic that surfaces midway through McIntyre's essay. McIntyre apparently believes that a "progressive consumed income tax" can neither include a corporate tax nor be as progressive as our current income tax. He infers, therefore, that my hidden agenda must be to gut the corporate tax and enrich my Wall Street buddies.

McIntyre is wrong on both of his premises. In fact, a cash-flow corporate tax is a standard feature in many consumption tax proposals—and could easily be added

to the others. Although many economists question the need for a separate corporate tax, I have never advocated abolishing it. If McIntyre wants to keep it, he can. According to the Congressional Budget Office (CBO), moreover, a consumed-income system can be made as progressive as our current straight-income system at tax rates not much higher than those we have today. Yes, for the super-rich we might need consumption tax rates of well over 100 percent. McIntyre says this can't be done. But why not?

As another illustration of my supposed subterfuge, McIntyre cites the conclusion of experts assembled by a "capital formation" subcommittee (which I chaired) of the Competitiveness Policy Council. They "overwhelmingly concluded," he says, "that the relative level of taxation on savings versus consumption has little or no effect on saving behavior." Actually, what they concluded was that the outcome is theoretically indeterminate. Many of them thought that the empirical evidence supports the claim that shifting to a consumption tax would boost savings. The CBO (hardly a Wall Street outfit) believes such a shift would raise the private savings rate by two percentage points of GDP—a very dramatic response indeed. Noting that the supersaving Japanese don't lean heavily on VATs, McIntyre further says that international comparisons fail to support my view. He is correct about Japan and VATs, although the Japanese, worried about their own long-term entitlement problem, are increasing their consumption tax to pay for it. Japan has always allowed huge tax exclusions for savings income, such as zero taxes on many kinds of capital gains, particularly appreciated securities (a "loop-hole" which, if I had proposed it, no doubt would have made McIntyre go ballistic).

In any case, McIntyre entirely misses the explicit purpose of my brief aside on the consumed-income tax—which was to observe that there may be ways to shift the tax base toward consumption while increasing overall progressivity. He deliberately stands my discussion on its head.

Now let me turn to long-term fiscal policy, where McIntyre and I seem to share at least some common ground. He does concede that deficit reduction (if not budget balance) is a worthy national objective. Beyond there, however, we diverge. While I am willing to consider some new taxes or higher tax rates, I maintain that it is absolutely essential to act now to reduce the long-term cost growth in both direct and "tax expenditure" entitlements. The only alternative is to raise tax rates repeatedly—about one Clinton-size tax hike every four years—for the next half century. This I oppose on two grounds.

First, it is immoral to fund our own late-in-life consumption by subjecting future generations to tax rates we ourselves would never tolerate. According to official forecasts, for example, the cost of Social Security alone is due to rise by 50 to 84 percent as a share of every worker's taxable payroll by the year 2035; meanwhile, the cost of Medicare Hospital Insurance is due to rise by 183 to 434 percent by the same measure. If McIntyre wants these FICA-funded programs to remain both untouched and self-financing, he had better prepare his readers for enormous future tax hikes on the middle class and the working poor.

Second, such tax hikes are also unnecessary, since so many who expect to receive benefits are and will be better off than so many who are slated to pay taxes. Why use government as a directionless revolving door for a growing share of national income? Why not modify entitlement programs so that they better serve some identifiable public purpose—such as supporting the needy—at a less explosive cost?

McIntyre's reaction to this suggestion is predictably negative. He tries to minimize (though he does not dispute) the CBO data I cite showing that a large share of federal benefits go to relatively affluent Americans. When told that in 1991 the more well-to-do half of all U.S. households received at least \$372 billion in entitlement outlays and tax benefits, he holds his passion for progres-

sivity in curious abeyance, noting "These figures don't necessarily seem all that bad." Instead, he tries to counter my numbers with mere assertions—such as his statement that Social Security (along with the income tax) ranks as our "most progressive" social program. This is a mind-boggling claim, since most economists would surely rank Social Security as one of our least progressive social programs, and a fair number believe it's not progressive at all.

McIntyre, again focusing on Social Security, also tries to divert attention from the brute numbers by noting that this largest of entitlements is currently in "surplus" and therefore does not contribute to the deficit. First of all, this claim is technically inaccurate. If, as McIntyre opines, "Social Security is rather like a pension plan," then he knows that what really matters is the system's long-term actuarial balance. Social Security now has unfunded liabilities of over \$7 trillion (more than 100 times the total unfunded liabilities of all private pension plans)—an amount that is growing yearly. If a corporate treasurer declared such a system to be in "surplus," he would be committing a career-ending felony. McIntyre also fails to mention that this year's modest excess of Social Security tax revenues over outlays (\$22 billion) will, just 25 years from now, turn into a massive annual deficit of over \$450 billion; 40 years from now, the annual deficit is projected to exceed \$1 trillion.

More to the point, the size of today's "trust-fund" balance (consisting of nothing more than an inflow of Treasury IOUs) is of zero economic significance. The truth is: Any program contributes to the deficit when spending more on it raises the deficit and spending less on it lowers the deficit.

But here McIntyre begs to differ. You cannot change Social Security benefits, he argues, without being "logically and morally" compelled to change payroll taxes in the same direction. This pay-as-you-go imperative makes no sense at all. Taken literally, McIntyre's argument that benefits must always match taxes seems to rule out the

very existence of the cash-flow "surplus" he now regards as a boon. Perhaps McIntyre is alluding to a more meaningful issue: the balance of taxes paid and benefits received over the lifecycle of each generation. But if such is his standard, it is one that Social Security has never followed. Congress has frequently altered the balance, nearly always to reward the earlier-born at the direct expense of the later-born.

I raise the question of generational equity because it is so conspicuously absent from McIntyre's analysis. According to the House Ways and Means Committee, a typical 30-year-old couple with a child and an adjusted gross income of \$30,000 paid eight times more in federal taxes in 1993 (\$7,103) than a typical 70-year-old couple with no child and the same income (\$855). Unless we reform entitlements, the tax gap between old and young can only rise much higher in years to come. Yet such inequities don't seem to interest this crusader for "tax justice." Amazingly, McIntyre is much more concerned about reassuring the rich that they will someday get benefits that are "loosely" related to their contributions. In order to justify a federal spending program, McIntyre actually fusses over the tender sensibilities of Wall Street tycoons.

McIntyre's final ploy is to blame everything on health care—which, he says, is the "one major area that has been growing rapidly." Correction: *All* major benefit programs are growing rapidly; health-care programs are just the main ones that are currently growing much faster than the economy. In any case, McIntyre's observation hardly justifies exempting other entitlements from cuts. The problem is total outlays—and so long as health benefits remain so resistant to cost control, it behooves us to economize wherever possible. This is especially true since most health-care outlays are a transfer from and to the same two groups (the young and the old) as most other large entitlements. McIntyre loves to seal different parts of the budget into separate ac-

counts, as though money borrowed for one purpose won't bankrupt us just as quickly as money borrowed for another.

To be sure, the exploding cost of health benefits is a very serious problem. One might suppose a champion of progressivity like McIntyre would have endorsed at least one component of my cost-containment strategy: a cap on the tax exclusion for employer-paid health care. After all, this open-ended subsidy is worth most to Americans in the highest income brackets—and gives nothing to those who work for minimum wages or who have no insurance to begin with. But McIntyre mentions my proposal only to dismiss it—as a "stiff tax" on the middle class.

McIntyre's fondness for labels and gimmicks points to the basic difference between our approaches to health-care reform. I acknowledge up front that even modest cuts in cost growth will require some pain—that (in Henry Aaron's words) "sustained reductions in the growth of health-care spending can be achieved only if some beneficial care is denied to some people." McIntyre acknowledges nothing. Indeed, though he is vague about how he would achieve cost-control (his only concrete proposal is a "new entitlement"), he implies that painless reform can succeed in freezing federal health-care spending as a share of GDP. If such a freeze is his goal, he should understand its consequences. Given the dramatic aging of the American population over the next forty years, it would require a fifty-percent cut in each federal beneficiary's health-care consumption as a share of GDP. Such benefit cuts would be far more draconian than any I have ever thought possible or desirable.

From this I can draw only one of two conclusions. Either McIntyre really wants to ration seniors out of dialysis, ICUs, and nursing homes (while fighting any reductions in their Social Security checks). Or he is just looking for an easy debating score. The latter is suggested by the breezy way he leaves the issue ("Whatever happens with health care . . ."). Maybe he doesn't care

much, after all, whether cost control succeeds or fails.

But let's be generous. Let's assume that McIntyre's ambiguous approach to health-care reform will be as successful in controlling costs as my concrete proposals. And let's also allow him his Orwellian spin: He can call his cuts "a new entitlement" and condemn mine as "sharp reductions in what average families receive from government." Nonetheless, absent any other spending cuts, he still faces a future of yawning structural deficits—as much as 10 percent of GDP by the time today's third-grader reaches his age. The gap is even wider if he favors more public-sector investment. How is he going to find such vast resources?

At this point, McIntyre unveils his *deus ex machina*—further progressive tax hikes on the rich that leave the middle class untouched. There's just one problem with this strategy. It can't possibly raise more than a small fraction of what he needs.

To illustrate, let's consider a few changes we might make in all three of the highest federal income tax brackets. Currently, these brackets are set at 31, 36, and 39.6 percent—with the first applying at \$53,500 in taxable income for a single person and \$89,150 for a joint return. Now let's imagine that we shift them all upward—to 50, 60, and 70 percent. Combined with state taxes, this reform would give us the highest marginal income tax rates in the industrial world. But how much revenue would it raise? According to the CBO, only about 1.3 percent of GDP—much less than what McIntyre needs. And this is a static analysis that assumes—implausibly, of course—that the rich do nothing over time to reduce their tax exposure.

I do not belittle McIntyre's deep concern about "tax fairness." If taxes must be raised, I believe that the extra burden borne by the wealthy should be at least proportional to their lifetime income. But we also need to do our math—and acknowledge that the middle class, collectively, earns far more aggregate income than the "rich." It is a

simple truth known to finance ministers around the world: You can have a very progressive tax code or you can raise a lot of revenue, but you can't do both. This is one reason why (to McIntyre's mystification) the largest public sectors in the world rely so heavily on flat-rate consumption and payroll taxes. When they need to raise big bucks, they do what Willie Sutton did. They go where the money is—and that means the middle class.

All this leads me to a larger point—which applies to public outlays no less than to public revenues. Early on, McIntyre says that Peterson "adroitly poses as a champion of the middle class." But here he flatters me. In fact, while I do champion the long-term interests of America's middle class, I have always dissented from the popular cant about middle-class victimization—which is just another way of excusing most of us from taking responsibility for our national direction. Long ago, George Bernard Shaw wrote: "I have to live for others and not for myself. That is middle class morality." Today, reality tempts us to reverse the last two pronouns in Shaw's epigram.

Middle-class sacrifice has become the true "third rail" of American politics. Everyone is at pains to avoid touching it. Many conservatives like to scapegoat the poor. Many liberals like to scapegoat the rich. Both sides like to wave their hands rhetorically, as McIntyre does, without spelling out just how all the numbers will add up.

But the blunt truth is unless the broad middle class participates in our national renewal, there can be no balancing of the budget, no return to a high-investment economy, and no renaissance of the American Dream. Dietrich Bonhoeffer once said that "the ultimate test of a moral society is the kind of world it leaves to its children." We will all have to sacrifice something—according to our means and at least temporarily—to reclaim the future for ourselves and for those who will live beyond us.

Wrong Again

Robert S. McIntyre

O h, Pete, for goodness sake. Because your book and articles are full of figures, charts and specific suggestions, I thought we were supposed to take the substance of your plan seriously. But now you tell us that we should look only to your rhetoric, not your actual proposals. Well, sorry. The major point of my piece was to expose the wide gap between your Perot-like "shared-sacrifice" posturing and the program you actually advocate.

Let's start with taxes. You say that my "most absurd charge" was to fault you for not asking any added taxes from the rich. You assert that big tax increases on wealthy people are "spelled out in detail" in your book, and that I "simply ignore[d] them." Alas, however, the oversight wasn't mine, but yours. There are, in fact, no significant tax increases on the rich advanced in either your book or your articles; instead, there are mainly tax *cuts*, such as your proposed capital gains tax reduction.

To be sure, you do rather weirdly propose reenactment of the 1993 income tax hikes that were adopted months before your book was published last fall. Or more precisely, you include those tax hikes in your list of revenue-raisers, on the theory that you endorsed them before they became law. But, Pete, reenacting existing law would raise exactly nothing in added revenues. That's zero, zilch, *nada*—not "\$23,300 for a household in the \$200,000-plus bracket."

Actually, when it comes to taxing the rich, your plan is worse than zero. Not only do you propose new tax breaks for corporations and the wealthy—amounting to about \$30 billion a year including your capital gains tax cut—you also set as your long-

term goal complete abolition of the personal and corporate income taxes, in favor of a "progressive consumed income tax."

"I have never advocated abolishing [the corporate income tax]," you intone. But if you think that a corporate income tax is "a standard feature in many consumption tax proposals," you are sadly misinformed. The famous 1976 Ford Treasury Department brief for a consumption tax (which you apparently mistakenly attribute to the Congressional Budget Office) points out that under any comprehensive consumption-tax replacement for the income tax, "the corporate income tax is eliminated." Perhaps you were thinking of the consumption tax variant proposed in 1983 by Hoover Institute economists Robert Hall and Alvin Rabushka and recently disinterred by Rep. Richard Armey (R-Texas). That "flat tax" plan purports to include a corporate-level tax, but in fact the plan is merely a national sales tax, or value-added tax—except that the wage portion of value-added would be taxed at the personal level (with exemptions). Corporations would collect sales taxes and add them to final prices under the Hall-Rabushka plan, but as the authors admit, there would be absolutely no tax on corporate profits.

More globally, you seem to agree with me that a consumed-income tax can't be as progressive as the current income tax absent extraordinarily high tax rates: "Yes, for the super-rich we might need consumption tax rates of well over 100 percent," you admit. But you're more than a bit cavalier in your "why not?" response to my doubts about the technical and political feasibility of such high rates. When you can deliver even one Republican vote in the House or Senate for a tax rate of over 100 percent, please let me know. Heck, I'll even settle for a Democrat like Sam Nunn. Until then, I believe that you have conceded my point: your "progressive" consumption tax would end up far less distributionally fair than current law.

In any event, the whole notion of a "progressive consumption tax" is a non-

starter, because it's impossible to solve the transition dilemmas. Generally, consumed-income tax schemes start with total income and then give people deductions for money saved and debts repaid (and add in money borrowed). The question then becomes: what do we do about existing savings and debts? If paying off old debts and "resaving" old savings are deductible—and it's hard to imagine how they wouldn't be—then the system will be unworkable for many years. A plethora of studies following Treasury's 1976 report have concluded that there is no satisfactory answer to these overwhelming transition problems.

That brings us back to your remaining tax proposals: a national sales tax, sharply higher excise taxes, and other taxes targeted on particular kinds of spending. My complaint about your approach is that it is extremely regressive and that most Americans would be much better off if we raised taxes through progressive income tax reforms. Your response, in essence, is that consumption taxes are preferable, whatever their regressivity, because of their purported economic benefits.

But as I noted, and as you partially acknowledge, there is little or no theory or evidence to back up your claim. Economic theory, you admit, offers "indeterminate" conclusions. As for evidence, well, you retract your statement in your book that "every other major industrial country" relies more on consumption taxes than we do. You concede that the "supersaving Japanese don't lean heavily on" consumption taxes. In fact, Japanese consumption taxes as a share of gross domestic product (GDP) are considerably lower than ours, and despite the Japanese tax break for stock market capital gains, virtually everyone agrees that Japan's overall taxes on capital income—most notably its high corporate taxes—are much heavier than ours.

You claim that "many" of the experts at our "capital formation subcommittee" thought that shifting to a consumption tax might boost savings. Well, I took notes. At

our June 1992 meeting, we heard from a representative of the corporate- and foundation-backed Committee for Economic Development, who reported that there is scant evidence that private savings incentives work. Then, in July, former assistant Treasury Secretary Emily Sunley (then with Deloitte and Touche, now with the International Monetary Fund) presented a paper concluding that there was no evidence that a value-added tax would increase savings (compared to any other tax hike that cut the deficit) and that a VAT definitely would not help trade. At that same meeting, MIT economist James Poterba reported that savings incentives or higher consumption taxes would do little or nothing to increase national savings. In response to your repeated questioning, there was absolutely no disagreement among the assembled group with those general propositions. In other words, no one in our group was willing to argue that shifting toward consumption taxes would significantly augment national saving.

That leaves you with a citation to the Congressional Budget Office for the proposition that shifting to a consumption tax would raise the private savings rate by 2 percent of the GDP. I don't know how you came up with that big figure. In fact, in 1992 CBO analyzed the economic merits of replacing part of the income tax with a value-added tax and concluded that a shift to a VAT would have "only minor effects on [the] economy."

Specifically, CBO's computer simulations estimated that, at best, long-term national savings might be 0.4 percent higher as a share of GDP under the VAT alternative. Since CBO's hypothetical VAT was twice as large as yours, that would translate into a possible savings boost of only 0.2 percent of GDP under your plan. Thus, your 2 percent figure appears to be off by a factor of ten.

CBO went on to note that any small potential VAT benefits "might well be offset by the VAT's failure to shift as much of its burden to foreigners as [the income tax]

does" and by "the added costs of administering and complying with a VAT." Thus, overall, CBO found that substituting a VAT for part of the income tax "would not necessarily improve overall domestic well-being."

Much more important for most families than a speculative gain of a few tenths of a point in the long-term GDP is the difference of 3 or 4 percentage points in effective tax rates between progressive income tax changes and your proposed VAT.

In my original article, I suggested that your support for a VAT was not despite its regressivity, but precisely because of it. Your response fails to persuade me otherwise.

In your discussion of "tax expenditures," you strongly imply that I want to raise tax rates to stratospheric levels, while you want to close loopholes. That's entirely false. In fact, Citizens for Tax Justice's reform program concentrates almost entirely on plugging loopholes. The real difference between us is in which loopholes we want to close.

To me, a tax loophole, in the invidious sense, is a tax break that favors a few well-off people at the expense of the rest of us. Thus, CTJ's long list of needed reforms targets things like capital gains tax breaks, multinational corporate tax avoidance, excessive business depreciation write-offs, and so forth. In contrast, your short list of loopholes focuses on mortgage interest deductions and exemptions for workers' health insurance—items that as a share of income are actually far more beneficial to the middle class than to the rich. While a perfect tax code might well forego these middle-class breaks in favor of lower tax rates, tens of millions of families have made important financial decisions in reliance on them, the political chances of dramatically changing them are minimal, and the distributional gains from their curtailment would be slight, if any.

The most striking distinction between our approaches to "tax expenditures" is that the kinds of loopholes that I most want to close you actually want to expand. You

call for new corporate tax breaks, a capital gains tax cut, and in your dreams, the ultimate high-income loophole: complete tax exemption for money saved or invested.

Let's move on to spending programs. As a result of last year's budget act, federal spending in the upcoming fiscal year will be at its lowest share of the GDP since before Ronald Reagan took office. Social Security, in particular, has fallen sharply as a share of GDP since 1983, and is expected to remain stable for the next 15 years or so. Yet you maintain that to meet your goal of a balanced budget by the year 2000, major reductions in Social Security and Medicare—on the order of 25 percent—are imperative. Although you claim to target only above-average retirees, some of your proposed benefit cuts would affect elderly couples making as little as \$12,200 a year and elderly singles making just \$7,100.

In the year 2000, the Social Security trust funds are expected to show a surplus of revenues over expenditures of more than \$100 billion. Because that money is lent directly to the Treasury, the consolidated budget deficit in the year 2000 will be that much smaller because of the trust funds.

So why go after Social Security? Because, you say, Social Security is a very big program and "[a]ny program contributes to the deficit when . . . spending less on it lowers the deficit." Thus, you reject the notion that we should respect the linkage between Social Security taxes and Social Security benefits.

That linkage, however, has been the key to Social Security's political longevity. The quasi-pension nature of the system has, at least so far, persuaded the best-off fifth of the population to pay for almost half the cost of the program in exchange for only about 20 percent of the promised benefits. Although you claim that it is "mind-boggling" to call this situation progressive, I think you're flat wrong. Social Security has succeeded in lifting millions of elderly people out of poverty in a dignified and

sustainable way—very unlike our degrading and declining welfare system. It has made retirement years much happier and less worrisome for millions more middle-income retirees. And it has achieved these impressive results precisely because its contributory, “entitlement” nature has assured its political viability.

So do I worry about “the tender sensibilities of Wall Street tycoons,” as you charge? When it comes to sustaining their support for Social Security, the answer is yes—and if your disdain for Social Security is any indication, perhaps I need to worry more. But do I think those tycoons should pay more of the cost of government? Yes again, but not by slashing their Social Security—rather, by making the overall tax code more progressive.

Of course, not all is rosy in the entitlements area, as my article noted. In both the short-term and the long-term, public (and private) health care costs are rising far too rapidly to be sustainable. One of the major reasons we need comprehensive health reform—which sadly is looking ever less likely—is to put a lid on excessive health cost increases.

You raise the specter that health insurance reform would lead to sharp reductions in beneficial care. But a second central goal of health reform should be to make needed care available at appropriate times and circumstances. The idea that a reformed health insurance system can be both better and cheaper is not pie in the sky. No other industrialized nation in the world spends as much as we do on health care, yet our results in terms of the health of our population lag behind.

The Social Security retirement system also faces long-term problems that will have to be addressed. Twenty years from now, as baby boomers begin to retire in large numbers, taxes and benefits will have to be significantly adjusted if current guesses about the future economy prove to be correct. As I noted in my article, it would be imprudent not to plan ahead for these events. But you only confuse the debate

when you insist on citing Social Security’s long-term financial problems as a reason why Social Security benefits should be immediately slashed in order to balance the budget by the year 2000.

Your final point on tax and budget policy is to claim that the share of total income received by the rich is so low that it’s impossible to raise enough money from progressive tax reform to make a serious dent in the deficit. Well, let’s see. According to CBO’s most recent count, the richest 1 percent has more total income than the bottom 40 percent and the top 5 percent makes more than the bottom 60 percent (the top fifth makes more than everyone else combined). So the well-off do get quite a large share of total income. That’s why, contrary to your assertion, progressive taxes raise more money at any given top tax rate—with lower taxes on most families—than do regressive taxes.

According to your book, you want to raise about \$200 billion a year in taxes by the year 2000 from your various consumption taxes plus limits on mortgage interest deductions and employee health insurance exclusions. CTJ’s working list of income tax reforms could raise at least as much. To illustrate, look only at corporate taxes: if U.S. corporate income taxes in the year 2000 were brought back to the same share of the GDP as they were in the 1960s, the corporate tax would generate \$200 billion more in revenue in 2000 than is currently projected. Not every penny of that would ultimately come from high-income people, but because the corporate tax is very progressive, most of it would. If our corporate income taxes were as high a share of GDP as Japan’s, the added revenue in the year 2000 would be about \$500 billion. That ought to be enough to satisfy even the most rabid deficit-reduction hawk.

So, in conclusion, Pete, it’s time to face up. Your “we will all have to sacrifice something—according to our means” rhetoric simply doesn’t match your program, which asks less than nothing from those most able to pay. You really should have to choose between the two. Which will it be?♦

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Letters

Pork By-Products

To the Editor:

Kenneth P. Ruscio's relentless attack ("Pork and the Public Interest", Spring 1994) on our essay "In Praise of Pork", which first appeared in the Winter 1993 issue of the *Public Interest*, in one respect comes as no surprise: When we wrote the article we recognized it might be controversial.

Our essay challenges the view that pork barrel spending is a major cause of the deficit; and it demonstrates that pork is actually on the decline. Moreover, it points out that pork can help smooth passage of socially desirable but politically risky legislation. (None of this, by the way, is denied by Ruscio). Since the article contends that the real task in an era of fiscal constraint is not getting rid of pork entirely (which is impossible) but making sure it is used wisely, we expected we might even be called mischievous by fiscal conservatives.

What we didn't bargain for is criticism leveled not only against our admittedly unconventional proposal (to link the allocation of pork to support for deficit-reduction and other beneficial policies) but also against our more fundamental effort to locate a permanent remedy to the budget mess that works with, rather than against, the self-interests of politicians.

Ruscio criticizes our proposal on the

grounds that its underlying logic reflects an improper understanding of Madisonian thought, that it has been contradicted by recent events, and that incentive-based solutions to collective problems diminish the search for a "public interest." We think he is wrong.

We do not deny that Madison believed that people are capable of virtuous acts, and that a broadly shared concern for the common good is a necessary (although not sufficient) condition for republican government. Madison clearly expected voters to show good judgment in their selection of representatives. When it came to controlling the political effects of human weakness, however, Madison and the other Founders ultimately placed their faith not on personal virtue or proper socialization but on political engineering. More than anything else, the Founders were empiricists who believed that experience could serve as a guide to both the pitfalls of self-government and their solution. Their reading of history led them to craft a complex set of institutions designed to achieve a political equilibrium in which good—if not necessarily perfect—decisions can come from the interplay of selfish motives.

When we review recent political events, we find considerable evidence that politicians are indeed capable of "doing the right thing" and enacting policies that serve the broad public interest, but generally only when proposals are structured to take electoral motivations explicitly into account.

Consider four recent actions widely seen as yielding broad benefits: tax reform in 1986, deficit reduction in 1990 and 1993, and NAFTA. These measures would never have made it on the political agenda had leaders not believed they were in the national interest. However, none of the measures would have been voted on and enacted without the use of coalition-building techniques that recognized electoral necessity. For example, congressional procedures were skillfully

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manipulated in order to force members to put themselves on record for or against the general benefits that would be realized under these policies while minimizing their ability to modify the measures to serve narrower interests. In every case, side deals or concessions were made to buy off the most powerful potential opponents.

Thus the tax reform bill contained special tax preferences demanded by Senator Robert Dole and other leading players, the 1990 deficit agreement incorporated big increases in budget authority for discretionary spending to mollify Senator Byrd, the final 1993 budget package scrapped President Clinton's proposed broad-based energy tax in order to win the votes of key oil-state senators, and then there was the frenzied, eleventh-hour deal-making that greased the way for passage of NAFTA.

Ruscio suggests that such political horsetrading diminishes the search for a public interest. We agree that it can get out of hand; the question is whether the resulting social costs exceed the benefits. But while it can appear crude, political exchange is an inherent part of the democratic process. In a system designed to slow the pace of social change, leveraging the self-interests of politicians through exchange is one of the most effective strategies available to leaders. At a time when citizens have grown skeptical about the ability of government to solve problems, any approach that facilitates progress on major issues should not be dismissed lightly.

For Ruscio, the role of leaders is not to produce acceptable outcomes through political engineering but to promote a shared understanding of public purpose through discussion and deliberation. We

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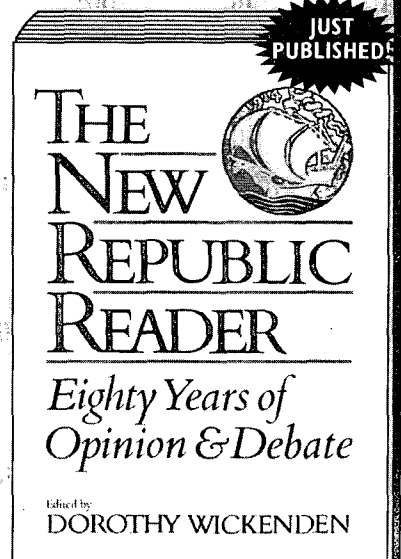
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agree that such an understanding can be beneficial. The question is how often it can be realized. As many articles in this journal have demonstrated, liberals and conservatives have vastly different conceptions about the proper role of government in countless areas of economic and social life. We doubt this gap will be bridged easily. Moreover, agreement on matters of principle is not enough. If Americans are united in any political belief, for example, it is that the government should balance its budget. Yet we continue to struggle to get our fiscal house in order, not least of which because people disagree about how to do so.

The convergence of political interests on the basis of a shared sense of the common good is a rare political event. It can happen, and when it does—as in the civil rights movement—the consequences are apt to be extraordinary. Most of the time, however, the diversity of interests and values in society leads to conflicting political preferences. The day-to-day task of politics is not to produce a consensus, but to fashion tolerable compromises.

John W. Ellwood

Eric M. Patashnik

Ellwood is a professor at the University of California (Berkeley) Graduate School of Public Policy. Patashnik is a doctoral candidate in the University's Department of Political Science.

Kenneth P. Ruscio Responds

At the heart of our disagreement lies a fundamentally different view of politics and human nature.

The deficit is a major problem. But it is a problem precisely because the approach to politics taken by Ellwood and Patashnik has become so pervasive and influential. Engagement in civil life is tantamount to engagement in commerce. The purpose is to seek advantage relative to others and the measure of success is whether one's "utility" has increased. Congressmen are doing a good job if they get reelected; constituents are content if

their benefits exceed what they contribute.

And yet these rational individual actions have led to a disastrous collective outcome. While congressmen continue to be reelected and their constituents continue to receive benefits without bearing the burden of paying for them, our debt swells in a way we all consider problematic. Ellwood and Patashnik's solution is to engage in "political engineering." Theirs is a technical fix. I cannot help but consider it a piece with Gramm-Rudman, the balanced-budget amendment, and other chimerical solutions. I question and continue to question whether tinkering will solve a problem which at its foundation is one of values, principles and substantive priorities.

Self-interest is surely a powerful motivator. But I reject the proposition that it is the only motivating principle in the lives of humans, as well as the related proposition that policy positions should be reached with only self-interest in mind. Individuals, including politicians and voters, cannot only recognize larger principles but act upon them—not all the time, but some of the time. My solution to the deficit would have leaders confront basic questions of justice and make the case to their constituents that we have an ethical obligation to future generations. By ethical obligation I mean one that requires us to consider the good of others.

I suspect Ellwood and Patashnik would recoil at such a claim and consider it naive. They cannot bring themselves to think of a public interest in these terms. They say that politicians are capable of "enacting policies that serve the broad public interest, but generally only when proposals are structured to take electoral motivations explicitly into account." That sounds to me suspiciously like "I can vote in the public interest only when it is in my interest." Their public interest has nothing to do with anything truly public and we are back full circle to maximizing utility.

They trip over their own logic. They write: "[The] question is whether the

results' social costs exceed the benefits." I doubt that is *always* the question, but even if it is, how is that reconciled with their concern over electoral motivation? Why should officials worry whether total social costs have a favorable ratio, so long as their electoral prospects are improved? A good decision is one that improves the chances of reelection, period. Ellwood and Patashnik would likely argue that political engineering is supposed to align this electoral interest with the public interest. But their logic obliges no one to consider what is in the public interest, except perhaps the political engineers, which is starting to sound a little scary.

I agree that self-interest explains a great deal. And the common-sense logic of rational decision making—why *would* you do something that cost you more than you benefited—is attractive even to my undergraduate students unschooled

in the sophisticated models. They contest my claim that humans are capable of acting upon principles other than utility. We often continue the argument outside of class when I see them building homes for the poor, coaching little league, volunteering to tutor in the schools, and teaching Sunday school.

I wonder if we students of the policy process are truly the empiricists we claim to be. It was the "empiricist" Madison, after all, who wrote, "As there is a degree of depravity in mankind which requires a degree of circumspection and distrust, so there are other qualities in human nature which justify a certain position of esteem and confidence. Republican government presupposes the existence of these qualities in a higher degree than any other form."

More Flaws with the Fed

To the Editors:

Professor Galbraith offers a thoughtful and well-reasoned critique of recent actions of the Federal Reserve. His thesis is that Alan Greenspan has been basing critical decisions on economic theory that would be regarded as eccentric to mainstream economists and that Federal Reserve actions are leading to disastrous consequences for the nation; Mr. Greenspan has been able to do so only because the Federal Reserve operates in the shadows of secrecy.

The criticism of the Federal Reserve should, I believe, be extended beyond the personality of the present chairman and beyond the cult of secrecy practiced by the Fed. William Greider's *Secrets of the Temple* indicated that Chairman Volcker, operating with seriously flawed M-1/M-2 statistics under an eccentric theory known as monetarism, caused the unnecessary and destructive recession of the early 1980s. Therefore, the flaw in the Fed is a basic and most serious defect.

One critical problem is that the statistics on which economic decisions are being based are questionable at best. Es-

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timates on the true rates of employment, real earnings, and inflation are disconnected from the reality experienced by the citizenry. The value of real earnings has declined precipitously as employers have demanded a college education as a condition of employment, as health insurance costs have been passed on to workers, as housing and insurance costs have risen far beyond their measurement in the consumer price index. With poor statistics, poor policy decisions are made.

A second serious problem, which Galbraith stops short of identifying, is that Federal Reserve policy is not being made for the general national interest, but rather for the benefit of the banking industry and bondholders so wealthy that they can wait for a good inflation scare to invest in 30-year bonds. Recently a new class of parasite, the international currency speculator, has emerged, expecting the nations of the earth to enrich it. Congress should, as Galbraith says, take back the power that it ceded to the central bank.

Finally, economic theory is, as Galbraith suggests, seriously flawed in explaining the connection between interest rates and inflation. The goal of raising interest rates is often implicitly stated to be to restrict investment to vital development. In the business world, high interest rates do not guard against bad investment. Loan officers at banks and investors on the stock market are the principal guards against business activity of dubious value. Instead, high interest rates encourage speculative investment and reckless business practices, as evidenced by the S&L failures, the takeover mania, and the outright fraud of the 1980s. When the returns demanded on investment rise above the level at which money can be made honestly, only dishonest businesses can thrive. This means that high interest rates squeeze out productive ventures in favor of speculation. When that happens, the stage is set for inflation.

It is the failure to understand this point—that high interest rates can cause

high inflation—that underlies all of the misguided policies of the Federal Reserve for the last two decades. Furthermore, we must come to understand that the ravages of inflation are not reflected only in the CPI, but may show up in a declining savings rate, a declining infrastructure, and a declining national vitality. If economic theory could demonstrate the validity of the hypothesis connecting inflation rates and interest rates, it might be possible to persuade the Federal Reserve not to put the citizenry on the breadlines every few years.

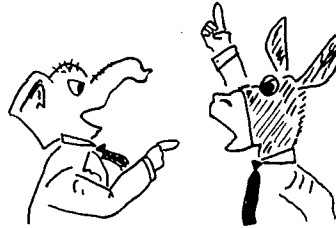
Joel Swadesh
Worcester, MA

Social Insecurities

To the Editors:

I must take issue with Robert S. McIntyre's "The False Messiah" (Summer 1994).

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I wouldn't mind Social Security if only the government actually kept accounts for depositors. The need to keep reserves in the system was the pretext on which government raised the payroll tax again in the 1980s. Our political leaders looked beyond their chances for re-election for a change, and said that the increase was needed because working people in the 21st century would not be able to pay for the retirement of the post war baby boom.

But the reserves are being looted by the U. S. government in order to conceal the true extent of the nation's fiscal crisis. This means that most people who are now paying for benefits either won't receive them or they'll take this country with them to their graves. It's appalling that someone like McIntyre would see deceit and grand larceny at the hands of government as a source of justification for

this soak-the-poor scam on the future!

But this isn't even the worst aspect of Social Security. It's essentially a tax on jobs. The easiest way for any employer to reduce his tax bill is by getting rid of as many workers as possible.

About half the people I know have been put out of their jobs since the beginning of the 1990s. Luckily, most have been rehired as independent contractors or consultants, which means that, technically, they're self-employed. As such, they pay both employer's and employee's portions of the payroll tax—a total of about 15 percent. Because of this, falling earnings do not translate into a lower overall tax bill in these cases. And there's virtually no floor to this system: a person earning as little as \$400 for the entire year must still pay the 15 percent.

It's an honor to help the elders who rely on it, and they're all entitled to at least as much as they paid in, even though they're collecting from different people than the ones they paid. But, in general, today's retirees are no longer the same people who lost everything in the Great Depression. Instead, they are increasingly the ones who enjoyed their best earning years during the heyday of American prosperity, the 1950s and 1960s.

Almost all of the retirees I know were on the receiving end of 10-fold to 20-fold increases in housing costs, borne by succeeding cohorts of young people. Their incomes may seem modest, but they enjoy discounted prices for almost everything and remain the most property-rich generation of all time. Meanwhile, due to the absence of a means test, Social Security has become the first major tax system in American history through which poor people must pay rich people.

I used to wonder why Americans seemed so hostile to their own government. But whenever I think of the Social Security scam coming down on today's young, I understand it fully.

Sharon Kurman
Inglewood, CA

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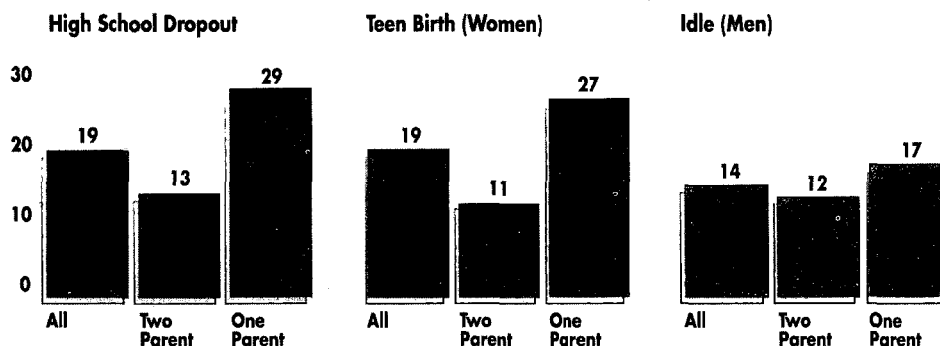
Errata

Due to an editing error, David Kennedy's article on gun control ("Can We Keep Guns Away from Kids?" Summer 1994, p. 74) stated "The Brady Bill

and an assault weapon ban are finally law." The assault weapon ban had not been passed into law at press time.

In the same issue, a chart in Sara McLanahan's article ("The Consequences of Single Motherhood") contained incorrect information. The headings "one parent" and "two parent" were switched. A correct version of the chart is reprinted below.

The Risk of Dropping Out of School, Teen Birth, and Idleness by Family Structure



	High School Dropout		Teen Birth (Women)		Idle (Men)	
	Two Parent	One Parent	Two Parent	One Parent	Two Parent	One Parent
Whites	11	28	8	22	10	13
Blacks	17	30	26	40	21	30
Hispanics	25	49	24	46	20	20

Note: Estimates are adjusted for race, parent's education, number of siblings, and place of residence. Sample is too small to estimate effects for hispanic children from advantaged backgrounds.

Source: National Longitudinal Survey of Youth.

Incredible News

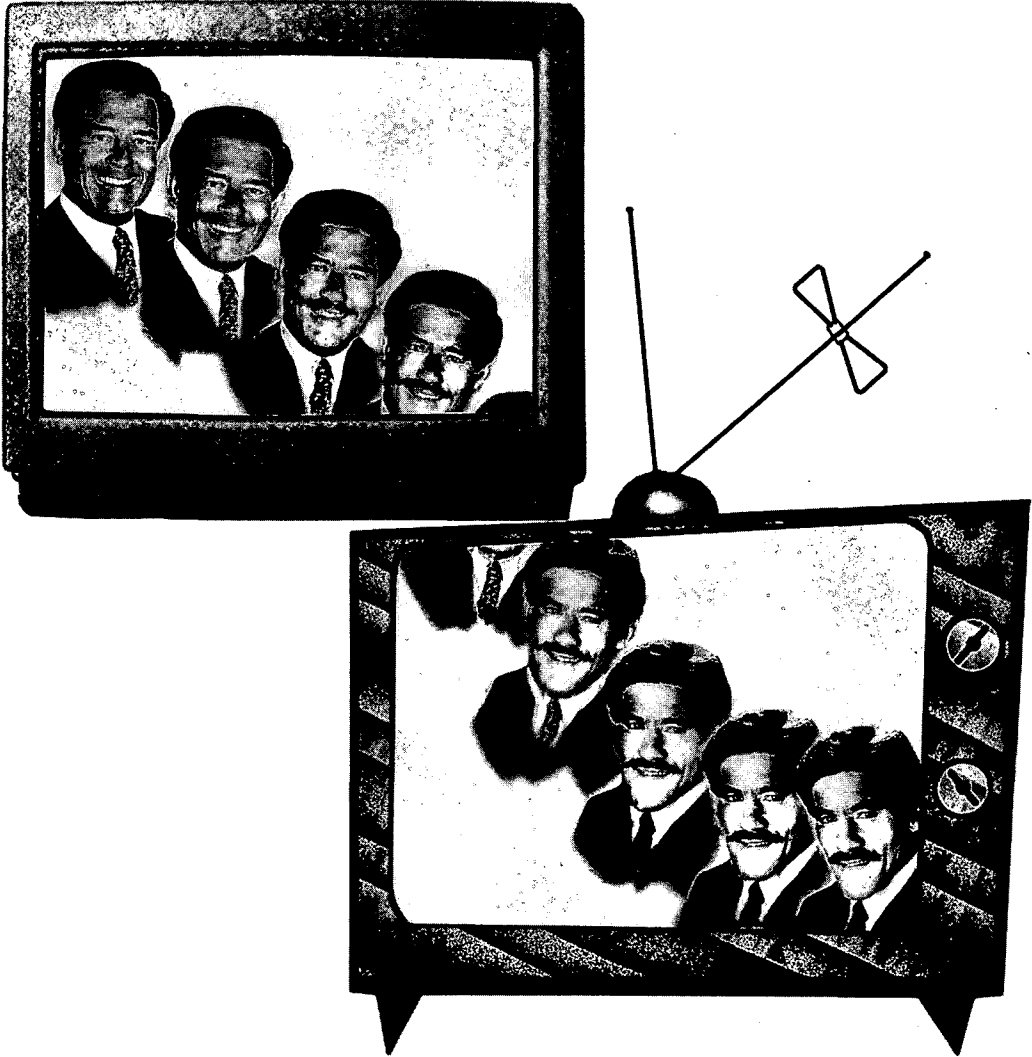
Joshua Gamson

Way back in the days when Tonya Harding and Nancy Kerrigan were still an item, an earnest news reporter from a local television station called with a request: He wanted me, as a media critic, to comment on camera about the appearance of Tonya Harding's breasts on *A Current Affair*. I declined, and not because I had anything against either Ms. Harding or her breasts, or even the tabloids. Stoically pushing aside the temptation of minor celebrity, I simply saw the request to criticize the phenomenon as a veiled invitation to feed it.

What, I asked the journalist, was his story about? After all, Tonya on a tabloid was hardly novel at that stage of the game. "Our story is about whether this is a new low," he told me, "or whether things can go any lower." I imagined myself playing the requested role, righteous and Yale-clever, turtle-necked and blazered in front of a stack of books. "Absolutely shocking," I would say. "The end of civilization as we know it, blah blah. Tabloids bad, news programs good, blah blah blah." And I imagined his gratitude ("that's a wrap," he would say, thanking me), and myself at home setting the VCR, to catch myself playing the outraged professor.

But, I wondered, is that what I think? Is this a new, unbeatable low? The question is its own answer. When a new set of celebrity breasts come along, or perhaps a famous penis, news programs will find questions such as these, and answerers such as me, to allow them a legitimate piece of the action. They may be opposed to tabloids, but they want what the tabloids have: an audience. As long as public-service news is meant to compete with entertainment, there is not much reason to expect that it won't simply become entertainment. The Harding-breasts-tabloid question indicates not a desire to rise above tabloids, but an increasingly bald strategy for cashing in on their success.

There are important lessons here for those of us wanting to challenge the current hyped-up information environment, not only about the hypocritical news-media strategy of condemning tabloids while borrowing their fare, but also about our own place in the media system. Media critics are, paradoxically, essential for the transformation of public-ser-



vice news into an entertainment form. Called in to damn the tabloids for destroying news, critics often help hide the fact that there is only a thin line between commercial news and commercial entertainment—or, for that matter, between a Tonya Harding who bares her breasts and the media critics who beat theirs.

To understand trash TV in its most glorious superficiality one can do worse than to tour the now ubiquitous network news magazines. Along the way, all sorts of scandalous substance and goofy tricks appear, but not much mystery in the logic. The search for ratings is rarely subtle and hardly astonishing, but it is not without its self-un-

dermining dynamics. Networks produce audience-grabbing news at their own peril, since they risk undermining the credibility on which their claim to trust depends. Yet from the instability of trust in television news an important mystery emerges: why are so many people, not all of them dolts, willing to have their source of information become so fun and yet so untrustworthy?

Surfing the television channels lately, visions of a slow, happy apocalypse fill the mind. We are each in our living rooms, laying on a couch or maybe in bed. We are watching television, laughing and hooting, delighting in the figures of

doomsday: knife-wielding ex-football players with their own sitcoms, heroic plague sufferers hosting infomercials, necrophilic flesh-eaters with book deals, politicians with their pants around their ankles. And we park there, with nothing but stories, some of them maybe based on true ones, and our minds and souls are happily emptied. We are Stepford wives with remote control, pod people. There is no important information, no world filled

Given the economic logic, the surprise is not that the tabloid transformation is happening, but that it has taken so long.

with injustices to fight, complicated truths to mull over, powerful people whose actions change everything; only me, the couch, and fun simulations of a world that doesn't much matter. Rwanda is a movie-of-the-week, more about drama than death. Policy disputes get a few seconds before the feature on presidential sex disputes. (World leader or groper? Golddigger or victim? You decide.) And so, as the world outside explodes in fire, you and I are inside having a good time, watching the TV movie. Or worse, watching a prime-time news magazine.

A disquieting picture, although not a new one at all: the charge that Western culture is going to hell in a handbasket, dragged down by vulgar masses, has always been the ugly twin of the claim that Western civilization is the world standard-bearer. It has roots, no doubt, in ongoing struggles over status and culture, as elites of various stripes seek to define preferred forms of knowledge and expression. This is an uncomfortable business in a democracy, since it often involves being quite up-front about one's hostility toward things that are popularly chosen. It implies a snobbery toward those doing the choosing, albeit

often hidden in the claim to be deeply concerned about the fate of public taste.

Yet, while we should be wary of sky-is-falling claims, we can't dismiss the case simply on grounds of elitism. The critics of trash TV have rightly focused attention on the ratings-driven displacement of seriousness and substance in public discourse and oversimplification of important realities. They point to an increasing capacity to fake things on a massive scale, to create what Daniel Boorstin called "pseudo-events," to blur the lines between fiction and reality. There is decent cause to worry, as Neil Postman famously did about a decade ago, that we Americans, given our new electronic tools and toys, are "amusing ourselves to death."

Indeed, if one takes the recent trend of news magazines to heart—at this writing, there are nine such weekly hour-long network programs in prime time—the rumors of our giggling demise seem hardly exaggerated. Although the prime-time shows include more traditional investigative pieces (*60 Minutes*-style), they are often indistinguishable from sensational tabloid melodrama (*A Current Affair*-style). For example, *Turning Point* debuted on ABC this year, very successfully, with a much-hyped interview with has-been murder guru Charles Manson. Jeffrey Dahmer's father read from his book and hugged his serial-killer son on NBC's *Dateline*. CBS News sent Connie Chung to Oregon (for more than a week) and then to Norway to secure an interview with Tonya Harding, a world-class figure skater but not exactly a world figure. ABC News flew a *Prime Time Live* producer to Manila in a bid to land an interview for Diane Sawyer (she of the estimated \$7 million salary) with Michael Jackson's former housekeepers.

Sex-crime-celebrity stories accumulate into a sensational goo: Simpson, Jackson, Harding, John and Lorena Bobbitt, the Menendez brothers, this year's models; obscene-phone-calling university presidents, families of Long Island Rail Road shooting victims; Phyllis Diller, Michael Keaton,

Elvis. Not long after *A Current Affair* asked Gennifer Flowers to rate Bill Clinton on a one-to-ten love-maker scale, ABC News' Sawyer was asking Marla Maples if Donald Trump really provided the best sex she'd ever had. *Washington Post* reporter Howard Kurtz describes Jeff Zucker, the 28-year-old executive producer of NBC's *Now with Tom Brokaw and Katie Couric*, deciding whether and how to cover Whitewater. "It's just so boring," Zucker complains. "Nobody cares about Bernie Nussbaum. I don't even understand it." In the end, he tells his staff that—rather than, say, attempting to understand Whitewater—"we should do the Rose Law Firm. This is *The Firm*, and it should be played off the movie. They all have fancy houses and fancy cars. I want this to be *The Firm*. Got it?"

Got it. On these programs, public service criteria (is it important? is it something citizens need to know?) are less important than entertainment criteria (is it fun? is it like a movie consumers have seen?). Disaster is good stuff, sex and crime and celebrity make terrific news, and famous sex criminals with disastrous impact are the very best. Personnel move back and forth quite comfortably now between tabloids and news programs; the executive producer of *A Current Affair*, for example, used to be the executive producer of NBC News' weekend newscasts, and the producer for Diane Sawyer's Menendez brothers special had worked for the *National Enquirer*. Production techniques have also increasingly begun to mimic tabloids: the point-of-view and slow-motion shots, the choppy MTV editing, the bold graphics, the high-emotion music. Most famously, the news divisions have demonstrated that they are not above simply staging the news to grab good visuals. In November, *Dateline NBC* aired a report on GM trucks showing one bursting into flames and in February publicly apologized for rigging the truck with sparking devices to ignite a leaking gas tank—this from network news divisions, still the dominant source of information for the majority of people in this

country. This is news?

Certainly there are differences between news programs and tabloids, as any defensive news magazine producer will tell you. News producers answer to network ethical and legal guidelines, which remain quite strict; as one such producer told me, they cannot and will not "report it as fact when you just get somebody who makes some sort of scandalous remark." They will not pay sources, as tabloids do—or more accurately, they pay with prestige and star-anchor attention, not with a checkbook. The balance of subject matter still tips toward solid political, social, and consumer reporting. Nor is it clear that the news magazine trend will last; a recent ratings decline suggests that, like other trends, this one has been overdone.

But somehow none of that is particularly comforting. One need not see news magazines as total sell-outs to see the dangers. The point is that journalistic norms have proven very malleable and an erosion of them by market forces has clearly begun in earnest. In fact, given the economic logic behind the transformation of news into entertainment, the surprise is not that the change is happening, but that it has taken so long.

A Current Affair and its cronies, however trashy in appeal, are not the root of the problem. Tabloids go back at least to the "yellow press" of the 1890s: audacious headlines, flamboyant language, poetic license. Big symbols, big circulations. As the sociologist Michael Schudson has documented, the notion of the press as an institution responsible not to itself but to the public good, and the rhetoric and practices of objective reporting, are relatively recent developments. The rise of tabloid reporting in television is simply another rediscovery that information is more widely and easily consumed when it is big, flashy, dramatic, personal, and emotional. That is particularly fitting for a visual medium and an industry dependent for its survival on ratings-based advertising. It is a wonder

that commercial broadcast journalism has managed to institutionalize and hold onto the public service model of news at all.

Networks held onto that model with a cost. The news system was never "pure" of entertainment concerns, of course; even Edward R. Murrow, the hero of public service TV's "golden age," went into the homes of Bogart and Bacall on his *Person to Person*, a precursor to Barbara Walters' successful star-sell journalism. For most of their early existence, however, news programs were

Simply demanding that news media not borrow from entertainment—a "come on, you guys" appeal to integrity—is spitting in the wind.

"loss leaders," filling an expensive public service niche that lent networks prestige but lost money. As television grew into a rationalized money-making industry, news divisions were increasingly vulnerable to the charge that they were a business drain.

Several factors converged in the 1980s to begin the conversion of news divisions into show business enterprises. Competition exploded dramatically, with cable television and local news operations in particular taking a huge cut of the networks' audiences. All three major networks changed hands; significant cuts in news staff and budgets followed. "The networks under the old owners would more often choose their programs for reasons divorced from the bottom line," Ken Auletta writes in *Three Blind Mice*. The new owners have declared allegiance to shareholders rather than viewers; Auletta reports Jack Welch, head of General Electric, which owns NBC, as saying that the owner's obligation is no different from and no more special than the obligation of a helicopter manufacturer. News divisions are now expected to make money. As one network producer told me, "Ten years ago,

they would have said, 'Well, goddammit, this is important, the public needs to know about X and we're going to do it.' Now, if you put on something you know is going to put people to sleep at 10 o'clock, and it does horribly, you know you're going to be hearing about it. You are the thing people are supposed to be watching."

News magazines grew in this context. "There's a straight line from the discovery that news can be profitable to the glut of news magazines we have today," says Sid Feders, a former network news producer (of, among other things, *Meet the Press*), now executive producer of NBC's *Person to Person with Maria Shriver*. The appeal of prime-time news magazines is more their cost-effectiveness than any informational advantages. They are much less expensive to produce than dramas (around \$500,000 for an hour, usually less than half the cost of a drama) and are owned by the networks, which can better control costs, especially by avoiding production-company licensing fees. Even a modestly successful news magazine can turn a profit.

But how to be successful? One strategy is to mimic the investigative seriousness of CBS's *60 Minutes*, the most lucrative program in network history, which has made more than \$1 billion over its 25 years. That, however, is risky, particularly when the prime-time competitors of news magazines are primarily entertainment shows. The logic is not hard to follow. Responding to competition, networks decide news can and will make money, and news magazines are the vehicle for doing so; lined up against prime-time entertainment, news magazines become entertaining. "You're competing with things like *Law and Order*, or *NYPD Blue*," says a magazine producer. "So what you're trying to do is give them the reality but with the dramatic elements." It's the same logic driving tabloids, talk shows, *Cops* and *Rescue 911*, and Court TV, whose recent full-page ad in the *New York Times* featured a television set with the words, "Movie of the Week," and below it, the Court TV claim that "The trial was better!"

If this is a descent into information hell, then it is one built into the structure of the industry and the nature of the medium. News-as-public-service veterans often refer to themselves as “dinosaurs,” and the label may be apt: it is quite possible that network news production in the traditional sense is close to extinction, leaving the “serious news” niche to news-only, headlines-mostly cable networks such as CNN. After all, financially, the free-TV networks can do pretty well, perhaps even better, without public service news dragging them down.

A hand-to-brow stance of shock and outrage at this turn is naive and unhelpful. Nor are alarm-based policy directions especially promising. Simply demanding that news media not borrow from entertainment—a “come on, you guys” appeal to integrity—is spitting in the wind. There are of course journalists who will resist the fraying of public service news, and they should be encouraged and supported, but they are not running the show. Allowing news to be isolated only where it is an exclusive priority (that is, on cable news networks) is a half-hearted solution: news by subscription only, and in such captioned form, is not a recipe for informed citizenship.

Dislodging the commercial network structure also seems a dubious task in a country so committed to a free market of ideas as well as commerce. In fact, as sociologist William Hoynes shows in his recent *Public Television for Sale*, even American public television has not offered a fundamentally different system, operating instead “within the same market-oriented paradigm” as network television, albeit for a different audience. Although more legal pressure can certainly be brought to bear on networks (to provide certain kinds of programming, for example), regulations on television are notoriously ineffective and easy to dodge.

Perhaps the first step is to call attention to and encourage a building crisis of credibility for network news. Criticizing the

distinction between news and tabloids underlines the credibility questions that network news divisions want and need to quell, and which, with the help of tabloid-vilifying critics and “trusted” anchors, they often succeed in repelling. When it can no longer be rebuffed, when tabloids are acknowledged as outcomes of commercial news logic rather than aberrations, there is a small chance to revive dissatisfaction with a public information system so heavily dependent on commerce.

The dilemma for network news divisions is plain; it turns on trust. The key problem for news magazines, as they get entertainment makeovers, is to attract a recreation-seeking audience while offering the credibility that network news has enjoyed. News is created, like any other brand of story-telling, fictional or otherwise, through selection, framing, editing. Reputable news institutions thus depend less on the claim that they are transmitting the truth (news as a window on the world is an increasingly hard sell) than on the notion that they can be trusted to select, collect, and present information honestly and well. They will not make things up, they will collect all sorts of significant information, and they will tell the story as they see it. This is, after all, mediated information, and the mediator must be trusted for the information to be believed.

Ironically, as networks cross the thin line between news and entertainment, they risk destroying their claim that the line is thick and that they can therefore be trusted. The hot pursuit of ratings undermines the cool claim to objectivity and trust. The more network news products look like tabloids—the more, for example, that O.J. Simpson leads and dominates the news—the harder it is for them to maintain their claims of credibility.

At first glance, the line-crossing does not seem to elicit much of a crisis. Lots of people love tabloids. Executives point out that if people wanted to watch “serious” television, PBS would be topping the ratings and we

would have nine *Frontline* lookalikes on network prime time. Entertainment is a most effective hook, producers tell you, to get information across. "I would rather reach three or four times the audience with half the amount of information," says producer Sid Feders, "than put a hundred percent of the hour into the information and reach a quarter of the audience."

Over and over, viewers vote by tuning

Only when people perceive public life as inconsequential, as not their own, do they readily accept the invitation to turn news into play.

in, and they vote not only for entertainment programs, but for sex, crime, disaster, and celebrity information. "The very first spring break show we ever did," says a network magazine producer, "was basically a bunch of kids running around scantily clad in Daytona Beach. We had to work from the concept and then find something to drive the story, rather than having a real editorial starting point. That's rare for us. The only reason we did it was for the ratings, and at the time it pulled in the second highest ratings we'd ever had. Second only to a hurricane." Go figure, she shrugs. Much as some of us would like to deny it, there does indeed seem to be a much larger appetite for Daytona Beach than for Bosnia. One can bluster all one wants about the need for an informed citizenry, and the obligations of the press to build one, but if no one watches no one gets informed.

Yet, while obtuse and manipulable people undoubtedly exist, an increase in stupidity hardly seems an adequate explanation for the success of infotainment. It is not at all clear that, simply because many people enjoy dramatic realities, they do not notice the overall defects and impoverishments of a docudramatized world. In poll after poll, not to mention in everyday con-

versational hostility toward "the media," people deny the appetite, and blame news media for sensationalizing and fluffing up their information. Mini-rebellions circulate around every feeding-frenzy story: Jennifer Flowers/Paula Jones and Clinton's sex life get too much attention, people complain; we're sick of hearing about Nancy and Tonya, or O.J., and we don't care that much if Michael Jackson is guilty. Do your job and give us something real and serious. This is not an enfeebled public but an acutely ambivalent one.

Perhaps people simply want to hide their guilty pleasures. The public ambivalence strikes me as deeper and more promising, though, powered by a genuine sense of loss—a sense that even as fun is increasing, trust is vanishing. Tabloids do not depend on trust for their popularity. They're viewed for fun, titillation, drama, a hoot. The entry of tabloid signs—the subjects, the styles, the stars—into news programming indicates to audiences not only that they should watch, but that they should watch with tabloid eyes. Even a small dose of sensationalism can be enough to indicate that entertainment rules are operating: that the audience is being courted and sold to advertisers rather than being informed, that journalists are presenting information for commercial interest rather than public interest, and that viewers should suspend belief. Let us entertain you, they say; watch us like fiction.

And, resentment in tow, people do accept the invitation, converting themselves from a believing audience into an entertained one. Having fun with infotainment does not mean that the desire for truth has dissipated, but that the likelihood of finding it on television has declined. It is not evidence that tastes are tabloid-debased, or that the "masses" are dragging the rest of "us" down, or that most people are too stupid for anything but the soap operatic. The popularity of infotainment is based on accepting the summons to treat information as play.

Play is best when consequences are small. This is the heart of the matter and the truly disturbing part. Only when people perceive public life as inconsequential, as not their own, do they readily accept the invitation to turn news into play. When the outcome matters, it is not so easy to switch gears and give up the need for significant and trustworthy information. Today, a shrunken sense of political efficacy makes possible the unsurprising conversion of news into infotainment. Without a renewed sense of political consequence, we can only expect television news to continue on its happy, profitable march towards the incredible.

Thus some fundamental and creative rebuilding is in order. We might begin by mobilizing the popular distrust of the

media on behalf of a commitment to an updated vision of public service journalism. Even as television's big fun expands, occasional encounters with unmediated electronic information give promising glimpses of a different path. Although they are few and far between on television, the new technologies have made information available in raw forms: the now-endangered C-SPAN, the explosion of computer networking, citizen videotaping. These democratic modes of getting and disseminating information about the world need to be nurtured and fiercely protected. They offer some general instructions to the unwieldy task of starting from scratch, hints of what it will take to rebuild the American news environment from the shards of television's broken trust.♦

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WSVN in Miami

Diary of the American Nightmare

Jonathan Cohn

The Book of Revelations does not say whether the apocalypse will be televised. But if it is, WSVN in Miami will not have to interrupt its regular programming.

It's July 18—the day of a visit by President Clinton to Miami—and WSVN, the nation's most notorious tabloid station, is leading its ten o'clock newscast with yet another lurid murder story. "Let me let you take a look at the body of Carmen Rodriguez, still laying next to her car," reporter Glenn Milberg says as the camera zooms in on a white, body-shaped shroud with a pool of blood at one end. "That's exactly where she was shot a few hours ago." WSVN cuts from Milberg to film of the victim's son arriving at the scene and bursting into tears, then to taped footage of the body that shows the arm of Carmen Rodriguez extending out from under the canvas.

WSVN manages to get five more bodies on screen within the next seven minutes, including the partially uncovered corpses of four teenagers killed in a car accident. We also see the accident's one survivor, bloodied and with an amputated leg, being lifted from the wreckage. A subsequent sequence shows a man, who was shot in the head while minding a local store, sitting in an ambulance with a bandage on his bleeding wound. He lived, so it wasn't "Top Story" material.

Nine minutes, six car wrecks, and one beating into the broadcast, the words "ROADSIDE RAPE" swoop on screen like a spacecraft. A reporter explains that over a period of several months, three women have been attacked while driving through the city: "This type of car crime is happening all too frequently." Reenacting one such incident, a driver bumps a woman's car, and when she pulls over, he jumps in her car and drives away. (Both drivers are actors.) "The criminal element is out there," intones a Florida highway patrolman. A passerby frets that "You just never know when it's going to happen."

Finally, fourteen minutes into the show, WSVN mentions that the President visited today to talk about health care and promote the upcoming pan-American summit in Miami. The two-minute segment is pre-

sented sans analysis, MTV sound-bite style.

A rough tally for the newscast: excluding sports and weather, WSVN has devoted 22 out of 34 minutes of broadcast time to stories about people being attacked, robbed, injured, or killed. That includes 15 minutes on murders and other crimes. There has been no political or other so-called institutional news, save for the segment on Clinton and an update on the crisis in Haiti. The rest has consisted of celebrity stories, health news, and a piece on the Levy-Shoemaker 3 comet hitting Jupiter.

For residents of South Florida, WSVN has become the daily diary of the American nightmare. Shootings. Stabbings. Rapes. More shootings. With every broadcast, WSVN tests the limits of decency, feeding Miami's social divisions and caustic political atmosphere along the way.

Critics have taken aim at WSVN's journalistic ethos before, with mixed results. *Newsweek* dubbed WSVN "Crime Time Live." Locally, leaders of Miami's African-American community have attacked WSVN for promoting racial stereotypes. Yet while WSVN has tamed its programming in recent months, such notoriety may serve primarily to enhance the station's bad-boy reputation. High-minded criticism is no match for high ratings and the advertising it brings.

But what's most worrisome here is not the lack of taste or judgement at one television station but the reaction of the audience. While 69 percent of South Floridians think local news contributes to a "climate of fear," more than three-quarters say they still rely on it as their primary source of community information.

As a result, the triumph of the tabloid format in South Florida may say as much about the nature of Miami's community as it does about the values of WSVN's owners, managers, and reporters. Like palm trees, indifference to public life flourishes in South Florida. Since the same could be said for many other cities, concerned citizens on

both sides of the newsdesk should consider what it is about South Florida that promotes disinterest in public affairs—and what role the more responsible media might still play.

'If It Bleeds, It Leads'

Ten o'clock rolls around on another sultry South Florida evening, and tonight WSVN is leading with a story of a suburban boy who accidentally set himself ablaze while trying to construct a Molotov cocktail. The show needs a good visual, but there's no footage of the boy on fire. Ace reporter Milberg improvises. As she explains to viewers how to make a Molotov cocktail, the broadcast cuts intermittently to a show-and-tell sequence: a hand holds a glass jar, pours clear liquid into it, and splashes it on the camera lens to demonstrate how the gas leaked out and set off the explosion. Accompanied by sound effects, the sequence's blurred black-and-white shots are reminiscent of an Oliver Stone movie.

The fast cutaways, reenactments, artsy cinematography, and music are the trademarks of WSVN news and the chief legacy of Joel Cheatwood, the architect of its news format. After WSVN lost its NBC affiliation in the 1980s—NBC decided to buy one of WSVN's competitors—WSVN owner Ed Ansen and Cheatwood dreamed up the tabloid scheme as a way to save the station from extinction.

At the time, the move was considered risky. But Ansen and Cheatwood figured that if they made news entertaining, they could build a solid audience. They were right. In the five years since it turned tabloid, WSVN news has climbed from fourth to second place in South Florida's highly competitive television market, with occasional spells in the top position. In 1989, it signed on as a Fox Television affiliate. According to *Newsweek*, WSVN made \$20 million in 1993, making it one of the most profitable local stations in the country.

Already, imitators have sprung up in Chicago, Los Angeles, and other markets. In Boston, backyard of the nation's intelligentsia, WSVN's parent company recent-

ly bought station WHDH; its tabloid transformation is underway. Could the formula work on a national scale? Fox TV seems to think so. A Fox executive recently hailed WSVN as the future of network news, though she hedged on whether WSVN would be the model for Fox's planned entry into the national news business.

In Miami itself, WSVN has increasingly set the tone for local news, except for one station that adopted a "family-sensitive" format and now sits at the bottom of the ratings heap. When University of Miami scholar Joe Angotti sampled a week of programming in November 1993, he found that WSVN had devoted nearly 50 percent of its 6 o'clock broadcast to crime, more than double its closest competitor. In a similar test six months later, that number was down to 30 percent on WSVN, apparently because tourism-sensitive advertisers raised a fuss. But on WPLG, Miami's most popular and well-respected station, crime coverage had risen to 30 percent, placing it in a virtual tie with WSVN.

In an interview, an assignment manager at WPLG acknowledged that despite his station's reputation for integrity and firm grip on the top ratings spot, it was becoming "more sensitive to crime. We had to make sure we weren't falling behind." They haven't, and neither have most others.

Ansen and Cheatwood have insisted that they perform a public service by appealing to an audience that might otherwise not watch any news at all. (Both turned down requests to be interviewed for this article.) The station does appeal to younger viewers. But given its emphasis on glitz and contempt for responsible journalism, the motive seems transparent.

Of course, free-market journalism is an old story, as is South Florida's obsession with the macabre. In the 1980s, when Miami became the terminus for the nation's cocaine traffic, violent crime did rise sharply. Nary a week went by when some low-level drug dealer didn't show up on the front pages with a blindfold and a bullet in the head.

But WSVN has taken the obsession to an extreme, at a time when violent crime in Miami is actually declining. According to the Federal Bureau of Investigation, the incidence of both murder and forcible rape fell steadily from 1982 to 1992 (the most recent year for which data is available). In 1982, Miami officials reported 190 murders and 349 forcible rapes; in 1992, they reported 128 murders and 272 forcible rates. (Actually, the incidence of rape peaked in 1983, not 1982, at 365.) However, in an NBC survey of South Floridians in January 1993, 73 percent said they thought the murder rate had increased. This mirrors the trend across the country: crime rates are down nationally, but public awareness of crime continues to rise.

Ironically, most residents seem to recognize that the media image of Miami is distorted. In the NBC survey, 66 percent of the respondents said local news shows pay too much attention to crime. Hal Boedeker, the *Miami Herald's* television critic, figures that for most viewers WSVN and its imitators are "a guilty pleasure, a quick thrill. You laugh at the things you think are outrageous." But if the discrepancy between crime rates and crime perceptions is indicative, tabloid coverage may be contributing to serious distortions of public understanding.

A Tale of Two Cities

When word spread that WSVN's Ed Ansen planned to add a Boston station to his broadcast portfolio, civic-minded New Englanders greeted the news with the same enthusiasm they might muster for a new toxic waste dump. Broad-sides filled *The Boston Globe*. Michael Dukakis, a part-time Floridian, campaigned against the sale. A local nonprofit group even tried—unsuccessfully—to organize a buyout of the station before Ansen could get his hands on it.

Today, WHDH does look increasingly like WSVN—albeit in some subtle ways—but Boston's other stations haven't changed all that much. For the most part, WHDH has the tabloid niche to itself.

It is still too soon to know for certain

whether tabloid news will play in the Boston market. Perhaps Boston's journalistic traditions of responsible, staid reporting are stronger than Miami's. The *Globe* barely responded when Rupert Murdoch took over the rival Boston *Herald* and gave it a tabloid makeover. And Boston is home to PBS's flagship quality station, WGBH.

More importantly, though, Boston may prove to be less susceptible than Miami to tabloid TV because the two communities are so different. As a former resident of South Florida (for 15 years) and a current resident of Boston, I've observed the differences first-hand.

For starters, most Floridians do not have a deep attachment to the state. Less than 20 percent of Florida's people were born there; only Nevada has a smaller proportion of native-born inhabitants. Because many residents have only recently arrived, they are not likely to know the state or its government well.

South Floridians, in particular, feel more than a geographical distance from the doings of state government in faraway Tallahassee. They don't have much stake in what the state does, and a lot of them want to keep it that way. Unlike Florida's Latin American immigrants, who came seeking political haven, many of the refugees from up north were in search of a financial haven—in other words, a land free of income and inheritance taxes. Taxes, of course, don't usually enamor citizens of state government. But they do make them a lot more interested in what the government does. Even Florida's many retirees, who do depend on government, look to Washington, not Tallahassee, for Social Security and Medicare benefits.

Granted, people with weak ties to a state may still have strong ties to a city or town. In South Florida, however, most of the newcomers have recreated miniature versions of places left behind—Little Havana, Little Haiti, and all the little Brooklyns that constitute Florida's retirement communities. Miami as such does not evoke their loyalty.

Ask a typical South Floridian where he or she is from, and you're apt to hear "Havana" or maybe "the Upper West Side"—even from Miamians of 10 or 20 years.

What South Floridians do share, of course, is mutual hostility. Not by chance did Miami erupt into riots four times within ten years. All were sparked by direct clashes between Miami's Cuban and African-American communities, the most antagonistic pair, while more complicated ethnic passions simmered beneath. "The extraordinary division of Miami along ethnic lines continues to define its reality," Alejandro Portes and Alex Stepick advise in *City on the Edge: The Transformation of Miami*. "Anglos, Blacks, and Jews, Nicaraguans, Haitians, and Cubans, tend to stay within their ethnic circles and to greet calls for intermingling with skepticism, if not hostility."

In such an environment, news of crime and violence play well, because it both entertains and validates stereotypes, while public or institutional news about the region doesn't stand much of a chance, since it's not likely to be relevant to many viewers. What, after all, does a suburban

Even a Miamian of 10 years is apt to say he or she is from 'Havana' or 'the Upper West Side'—Miami as such does not evoke loyalty.

Miami commuter care about a Metro-Dade bus strike? Less than 6 percent of South Floridians use public transportation.

Contrast this situation with Boston's, where for all of the legendary racial tensions, city news still matters to many citizens. Relative to Miami, Boston has strong civic traditions, thriving social networks, and popular public activities. (The share of the population using public transportation is twice as large.) As a result, Bostonians are more likely to reject tabloid news and demand information about their city and state from their nightly local news.

Trouble is, the rest of the nation looks more like Miami and less like Boston every day. What the 1994 *Almanac of American Politics* says about Florida is particularly true of the Miami area. "Florida's lack of community traditions and mediating institutions are part of the problem—and one that threatens the nation too as it becomes increasingly like Florida."

Indeed, cities across the Sunbelt and West, the nation's youngest and fastest growing regions, all share Miami's defining characteristics: high rates of immigration, a rapidly changing population, and growing class divisions. Cities such as Houston, Denver, or Los Angeles don't have vibrant downtowns to serve as economic anchors or cultural centers that might foster common identity. Instead, they more strongly resemble what Joel Garreau calls "edge cities"—clusters of strip shopping centers and office complexes surrounded primarily by walled-off housing developments.

The political profiles of these cities are familiar, too. As in South Florida, many of America's new growth centers have paved the road to prosperity with low tax rates, undercutting social services in the name of attracting business. Public opinion in these cities mirrors South Florida's: generally conservative, particularly when it comes to issues related to crime, poverty, and tax levels. (Is it any surprise that Florida and Texas lead the nation in capital punishment but rank behind other large states in quality and quantity of social services?) This political culture creates an environment in which people feel little connection to government and, as such, little interest in news about it.

These cities are missing what Robert D. Putnam has described in these pages as "social capital"—the networks and traditions that bind members of a community together (see "The Prosperous Community: Social Capital and Public Life," *TAP*, No. 13, Spring 1993). That is why these cities are such fertile ground for flashy but ultimately inconsequential tabloid news. News about the community, region, or state seems much

less important to people who are less likely to have roots in its past, connections with each other, and a deep sense of place as part of their personal identity. If the nation's cities continue to look more like Miami, we can expect to see more WSVNs, and continued deterioration in public dialogue, for years to come.

When All Politics Is Individual

One can imagine Ansen, Cheatwood, and their comrades at WSVN arguing that Miami really is different—and that people there really want to watch their programming. Indeed, they have. "Maybe in a perfect world everybody would be watching 'MacNeil/Lehrer,'" Ansen told *Newsweek*. "But we can't afford to be boring."

Still, recognizing a social ill is one thing; reinforcing it is quite another. If tabloid programming thrives because the sense of community has shriveled, responsible journalists ought to be thinking about what they can do to replenish it. If there is any hope for the informed public discussion that is the basis of democratic self-government, journalists need to seek out stories that tap into broadly felt interests. Remarkably, in Miami that week of July 18—despite a presidential visit and ongoing discussions on Capitol Hill—neither WPLG nor WSVN, the two benchmark stations, aired substantive local stories on health insurance. Dramatic health care stories, of no small consequence to South Florida's populations of both the retired and the uninsured, would not have been hard to find.

It was Tip O'Neill—a politician from Massachusetts, not Florida—who famously remarked, "All politics is local." O'Neill was just acknowledging the power of parochial interests, which are bound to be strong in a state where people are intensely interested in local issues. The shift to tabloid television news may be a symptom of the waning of local public life and the onset of a more extreme parochialism—the secession into private life. The old variety of parochialism seems so much more attractive now that we see the alternative.♦

M.E. Sharpe

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How Money Votes

An Oklahoma Story

Robert Dreyfuss

A few blocks from the U.S. Capitol, in a street-level parking lot owned by the American Trucking Associations, one of those only-in-America scenes unfolded last April.

With temperatures hovering near 90 degrees, men and women in expensive suits chafed uncomfortably as they waited in line. Young volunteers sporting bright yellow T-shirts were everywhere, bristling with the enthusiasm of what appeared to be their first political campaign. A crack unit of these scrub-faced ones patrolled the entrance to the lot, seizing the necks of new arrivals, quickly wrapping them in bright yellow bandannas, cowboy-style. In the heat, the added neckwear caused beads of sweat to form, giving the well-heeled attendees a faintly ridiculous air.

Though few tasseled loafers were apparent, the guests were mostly Washington lobbyists, for American Airlines and the National Rifle Association, for Dow Chemical and the Tobacco Institute, for Southwestern Bell and the American Pharmaceutical Association. Representatives of big oil producers like BP America and the American Petroleum Institute rubbed shoulders with drug manufacturers like Merck and Sandoz. Dozens, scores, perhaps more than a hundred milled around the parking lot, munching barbecue and trading gossip about doings in Congress.

In uneasy coexistence with the bleak landscape of the open air parking lot were the signs and sounds of classic American political hoopla, Oklahoma-style. To one side, a two-man band dressed in the cowboy way strummed "The Stray Cat Strut." Further on, a Choctaw tribal chief in full

Indian dress stalked about, agreeably having his photo taken with any and all. And standing at the front of the line were the hosts of this celebration: Congressman Bill Brewster and his wife (and partner) Suzie, both dressed in colorful Western attire that put them into high relief among the gray and navy suits.

One by one, the visitors filed past the Brewsters, engaging in a familiar ritual. The lobbyists gripped-and-greeted the member of Congress, murmured a few words, unwrapped the uncomfortable nylon bandanna, and headed for the beer. For two hours, the Brewsters courted their guests, who had paid \$500, \$1000, or more to attend the event. By day's end, more than \$100,000 would flow into Brewster's campaign coffers from individual lobbyists and political action committees.

This is how the game is played.

By the end of 1994, Bill Brewster's campaigns will have raised and spent nearly \$2 million since 1989, when Brewster began exploring the possibility of running for Congress. This article is the story of that \$2 million—the story of how a working politician forms a practical, permanent alliance with big money and how that alliance taints the governing process.

Why Bill Brewster? He is emblematic of the system. He stands, politically and geographically, at Congress' dead center. A conservative Democrat, Brewster has little seniority in the House. But he is an influential member of the House's most important committee, Ways and Means, which gives him a head start raising money.

Brewster's is the tale of how a rising politician learns to tap national financial sources rather than local ones. It is also the story of how these powerful national financiers reward incumbents by providing them with a surfeit of money—enough to



Congressman Bill Brewster, seen here in 1982, the year he first ran for public office.

Photo courtesy Daily Oklahoman

ward off any challengers who might disrupt the status quo. There are questions of legality here. A close look at Brewster's record suggests that some of his fundraising practices may have broken federal elections laws. But for the most part, Brewster's story is a vivid illustration of what the system still permits: fundraising practices that skew politics in favor of wealthy interests, thus promoting cumulative disaffection with the democratic process.

The evidence for this article was pieced together from Federal Election Commission records, data on file with the Oklahoma Council on Campaign Compliance and Ethical Standards, U.S. House of Representatives financial disclosure forms, and data compiled by the private National Library on Money and Politics. I also conducted dozens of interviews, including two with Brewster himself.

Thanks to the periodic FEC reports that are required from every candidate for Congress, it is possible to trace the origin of nearly every dollar that finds its way into a campaign treasury. However, it is not so

easy to find out why contributors support a candidate financially. The methods by which candidates manage to obtain those dollars are not readily apparent, either. In the following, we will try to answer some of those questions.



The parking lot at the American Trucking Associations, where Bill Brewster held court with the nation's lobbyists on April 26, is half a continent and a

world away from the part of Oklahoma Bill Brewster calls home. Born in 1941 in Ardmore (population 20,000) in Carter County, the Brewsters now live on a ranch south of Marietta in Love County. Carter and Love counties, which form the southwest corner of the 22-county Third District, sit just north of the Red River that separates Oklahoma from Texas, in the middle of America's oil patch, about halfway between Oklahoma City and Dallas, Texas.

The district is one of the nation's poorest, populated by hardscrabble farmers who eke out a living growing peanuts and raising cattle, chicken, and hogs. Almost entirely rural—along with Ardmore, only the towns of Stillwater and Shawnee count more than 20,000 people—the area's farms are often punctuated by a lone oil rig slowly nodding up and down like some giant bird pecking at insects.

Dead armadillos litter the roadways, and the towns themselves show severe signs of wear and tear. The main streets in both Ardmore and Marietta are sadly barren and lifeless, marked by closed businesses and buildings whose paint is peeling off in great flakes. In county after county in the Third, as many as 20 to 25 percent of the people live in poverty, and many are on welfare.

The Third's voters are hard-working, conservative, God-fearing Democrats. The area's nickname is "Little Dixie," reflecting

the migration of poor, southern whites into what was then known as Indian Territory before Oklahoma statehood in 1907. They brought with them the southerner's animosity toward anything Republican—and while the rest of the South is increasingly embracing the Republican Party, Oklahoma's Little Dixie remains resolutely a "yellow dog Democratic" district. Over 80 percent of the voters are registered Democrats. As one Oklahoma politician says, "They spray for Republicans in Little Dixie."

To be sure, these voters are not limousine liberals. By all accounts, most of the Third's constituents oppose gun control and abortion, support prayer in schools, and are wary of anything that happens in Washington. They are fiercely patriotic—as evidenced by popular bumper stickers like "Fly Our Flag, Don't Burn It!" In Paul's Valley, on the district's edge, Bob's Pig Shop sports a sign out front that says, "Rambo for D.A." Gun shops are everywhere. A billboard proclaims, "This town belongs to Jesus."

The overwhelmingly Democratic nature of the Third District has meant that its representatives in Congress enjoy a rare form of longevity. Since 1947, only three men have represented Oklahoma's Third: Carl Albert, who served from 1947 to 1977 and was Speaker of the House; Wes Watkins, who served from 1977 to 1991, and who left to run for governor; and Bill Brewster, elected in 1990. Unless Brewster chooses to run for higher office, and barring a major scandal, it is widely assumed that Brewster will be a member of Congress for decades to come.

Running for Congress was unlike anything Bill Brewster had ever done before. His earlier campaigns for Oklahoma's House of Representatives in 1982, 1984, 1986 and 1988 were low-dollar affairs. State records on file in Oklahoma City show that in 1988 Brewster raised a total of \$1,500 for his campaign, two-thirds of which came in the form of a \$1,000 cash contribution from a fellow legis-

lator.

That pattern changed in 1989. As required by state law, Brewster filed campaign financing disclosure forms with the Oklahoma Council on Campaign Compliance and Ethical Standards for 1989-90. But those forms, sketchy in the best of times, are sloppy and incomplete, making a thorough analysis very difficult. What the records do show is that Brewster raised far more funds than for the previous cycle, at least \$26,710. There is very little to indicate how the money was spent; for much of it there is simply no account. But a major portion of it, nearly \$11,000, was used not to finance his re-election to the state legislature but to launch his bid for Congress. Such transfers of funds, now illegal under FEC rules, were permitted in 1990.

Although Brewster announced his decision to run for Congress at the end of January 1990, it had been widely known that the incumbent member, Wes Watkins, a Democrat, was considering a race for governor, meaning that the Third district would be up for grabs. As early as the summer of 1989, Brewster had begun putting out feelers to explore the possibility of running for Congress should Watkins abandon the seat. Thus, every dollar Brewster raised in 1989 and 1990 could be tapped to commission polls, pay for travel, and buy advertising—which, in turn, allowed him to enhance his name recognition and assess his prospects for a run at Congress. When Brewster finally did announce his intentions to run for the Third district's seat, he officially transferred exactly \$10,995.32 from his state campaign to his U.S. congressional campaign fund.

Only a few weeks earlier, however, state records show that Brewster received a \$5,000 campaign contribution from an Ardmore, Oklahoma, oil man named Harold Holden. Even under the FEC rules at the time, most of that money could not legally be transferred into Brewster's new campaign. Under FEC rules, no individual is allowed to contribute more than \$1,000 to any single federal candidate in a given con-

test (primaries and general elections are considered separate races). Because Harold Holden's \$5,000 exceeded the FEC limits on individual contributions, it could not legally have been applied to a federal campaign.

Given the passage of time, poor record-keeping, and vagueness of memory, it is no

At the beginning, political action committee money was difficult to come by.

longer possible to determine if Holden's \$5,000 was spent on Brewster's campaign for state office or was included in the \$10,995 that was transferred into his federal campaign. But either way, a substantial contribution from a single individual helped launch Brewster's first foray into national politics.

We will soon come across oil man Harold Holden again, under more worrisome circumstances.

Not for nothing had Bill Brewster spent eight years in the Oklahoma state legislature positioning himself as a pro-business, Chamber of Commerce Democrat. And seldom had anyone had as substantial and diverse ties to the business community as he had in the Third District and the state of Oklahoma.

But Brewster would not have a cakewalk into Congress. A tough race was shaping up against a worthy opponent in the Democratic primary—he would face Lieutenant Governor Robert S. Kerr III, scion of one of Oklahoma's premier families, whose father was a member of the board of directors of the Kerr-McGee oil company and whose grandfather had been a powerful U.S. Senator. As an underdog, Brewster knew that he would require several hundred thousand dollars to mount a credible campaign.

Though relatively well-to-do, Brewster

also knew that he could not hope to finance his campaign with his own funds. According to a letter on file at the FEC, Brewster had assets of slightly more than \$1 million and a net worth of \$695,000 at the time he launched his campaign for Congress. While that amount certainly placed him amongst a tiny elite in rural Love County, most of his wealth was tied up in a home, a cattle ranch, mining investments, and IRAs. He would have to raise money, a lot of it—and fast.

Joe Elles of Marietta, Brewster's first campaign treasurer, notes that Brewster had organic ties to the local small business community. "Being a pharmacist by trade, that put him in a pretty lucrative position with the medical community. He'd been in the ranching business, served in a leadership position in the breeders' association, so that gave him an inherent inroad to the cattlemen. Him and his wife have both been involved in real estate for some time, as agents and brokers. He's had an auto dealership," says Elles. "He just had all the right ingredients."

Brewster tapped each of those small business networks in the early stages of the campaign, during February and March 1990. In the Third district, says a former Brewster staffer, "It's early to bed, early to rise, work like hell and advertise. That's how you make it." Virtually every meeting they had turned into a fundraiser, he said. "They'd give up a hundred dollars here and ten dollars there, and a tankful of gasoline here and someone would feed him there."

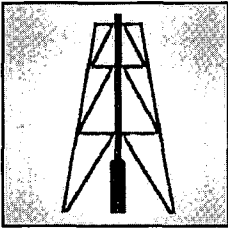
Although Elles says that the campaign "had quite a few barbecues, donations of hogs and calves," four out of every five dollars raised by Brewster in those two months came not from small contributors but from high-dollar donors (over \$200), PACs, and the leftover funds from his state legislature campaign. Still, for the most part it was local money. Out of 77 big contributors who donated to Brewster in the first two months of his campaign, 53 came out of three small towns: Ardmore, Madill, and Marietta, and almost all of them came from Oklahoma. The majority listed them-

selves as "self-employed," and as their occupation listed "investments," "attorney," or "oil/gas/ranch." Many of the contributions were dated either March 12, March 28, or March 30, indicating fundraisers were held on those dates. The \$35,000 raised from these 77 contributors allowed Brewster to jumpstart his campaign with money from a small but wealthy elite in southeastern Oklahoma.

At the beginning, PAC money was difficult to come by. The nature of PACs, as every student of campaign financing knows, is that they like to back winners. As a rule, PAC money favors incumbents over challengers or long shots, simply because incumbents are more likely to win and are already in a position to be helpful to the donor. But in the first few weeks of his campaign, Brewster did win the backing of a handful of PACs.

Brewster's first PAC money was a check for \$4,950 from the National Rifle Association (NRA). (Just to be on the safe side, the NRA also donated an identical sum to Bobby Kerr, Brewster's opponent.) The NRA would stay on as a "Brewster booster" for the next four years, and eventually Brewster would join the NRA's board of directors. Not to be outdone by her husband, Suzie Brewster is a gun enthusiast who is constantly seen in gun clubs and on shooting ranges, and who, in Washington, coaxed a passel of congressional wives to take up shooting. Today, Brewster is the co-chairman of the Sportsman's Caucus in the House, and his office wall displays a photograph of him out duck hunting with President Clinton.

Two more \$5,000 checks arrived from the PACs of the National Association of Chain Drug Stores and the National Association of Pharmacists, both of whom hoped to cash in on the candidate's background as a licensed pharmacist. Along with a \$2,000 contribution from the nurses' PAC, Brewster managed to raise a not-too-shabby \$20,700 from PACs in the first 8 weeks of his campaign. But the best was yet to come.



Just outside Bill Brewster's old window at the Oklahoma Capitol Building, there is a striking view of an oil derrick. In fact, out just about any window of the capitol is an oil derrick, because the steel towers are scattered everywhere on the capitol plaza—a fitting symbol of the power of the oil and gas industry in the former capital of the oil patch, Oklahoma.

There is a lot of oil money in Oklahoma, and oil money is political money. During his eight years as a state legislator, Bill Brewster assiduously cultivated Oklahoma's oil men. In 1985, he took over the economic development committee in the state legislature, and he soon won the "Legislator of the Year" award from the Oil Marketing Association. He chaired the energy committee of the National Council of State Legislators and was elected chairman of the powerful South/West Energy Council.

Oil money is what pushed Bill Brewster over the top in 1990. From April to November 1990, 32 oil and gas company PACs backed Brewster's bid for Congress. Phillips PAC led the field with \$7,500, and Amoco, Atlantic Richfield, Chevron, Exxon, Occidental, Shell, Sun, Texaco, Union and many others joined in. In all, including utility company PACs, Brewster raised nearly \$39,000 from energy and mining PACs in 1990.

Besides oil PAC money, Brewster pulled in tens of thousands of dollars from wealthy independent oil men. It is difficult to determine exactly how much, because oil money comes not only from people who own and operate oil companies but from oil equipment people, investors, oil industry lawyers, bankers who finance oil industry operations, and friends, relatives, and acquaintances of oil industry folks. Using a conservative estimate based on FEC records, the Brewster 1990 campaign

gathered upwards of \$40,000 from Oklahoma's oil and gas industry through individual contributions.

Patrick Raffaniello, chief of staff for Brewster, was in early 1990 executive director of the South/West Energy Council, located just outside of Dallas, and FEC records show that Pat and Kyle Raffaniello each donated \$1,000 to Brewster's campaign on March 30, 1990. The council served as a nexus for state legislators from oil patch states to meet and work alongside representatives of major oil interests, and according to an Oklahoma legislator who served with Brewster, Raffaniello was a frequent visitor to Oklahoma City and "managed to steer a lot of big energy money to Brewster." A New Yorker by origin, Raffaniello caused a lot of grumbling in Oklahoma when he was appointed chief of staff by Brewster in 1993. "He got the job because he's a big-time fundraiser," said a former Oklahoman who has worked on Capitol Hill.

This is where Harold Holden enters the story again. Holden, you may remember, was the owner of Holden Energy Corporation. His \$5,000 contribution to Brewster's state legislature campaign early in 1990 helped position Brewster for his congressional campaign. Holden Energy, described by the *Daily Oklahoman* as "one of the nation's largest independent energy companies," was only one of several companies owned and operated by the Holden family; others included Safe Tire Disposal Corp., Environmental Thermal Systems, and Red Fork Construction Co. According to several sources in Oklahoma, Holden has been one of Bill Brewster's key backers since at least 1989. Holden and Brewster had been friends for years, since Brewster served in the state legislature.

Last year, Holden was indicted and pled guilty to campaign financing abuses in connection with Oklahoma Governor David Walters' 1990 campaign. The FBI and then an Oklahoma City grand jury investigated

a pattern of illegal campaign donations by Harold Holden, his family, employees, friends, and business associates. In October 1993, Holden pled guilty to making 16 illegal campaign donations totaling \$32,000 during the 1990 race for governor. He was ordered to pay a fine of \$21,280 and received a two-year suspended sentence.

According to the indictment, in order to evade the \$5,000 limit on individual campaign contributions to a state candidate, Holden distributed \$32,000 to employees, friends and business associates, who in turn funneled the money into the race for governor. Just to be on the safe side, half of the illegal money was channeled into Walters's coffers and half of it went to the campaign war chest of Walters's Republican opponent, Bill Price. Campaign records—backed up by subpoenaed evidence of bank transactions—show that Holden's \$32,000 was paid out to at least 16 individuals, who, within a period of a couple of days, wrote personal checks to the Walters and Price campaigns.

FEC records reveal a highly interesting pattern to the Holden-Brewster connection. On the eve of the primary election, at an extremely critical moment in the race between Brewster and Kerr, at least 12 individuals made \$1,000 contributions to Bill Brewster. Five of them were named in the indictment of Harold Holden in connection with the governor's race, along with three of their wives and several other Holden associates who came under investigation during the Grand Jury procedures. Most came on the same day, August 23, 1990. The individuals include Scott Holden, Harold's son, along with employees of Holden Energy, Safe Tire, Environmental Thermal Systems, and Red Fork Construction, and attorneys and consultants who worked for Holden at the time.

The contributions stand out boldly because most of them are listed, one by one, on identical FEC reporting forms under the heading of "last-minute contributions" on August 23, just five days before the August 28 primary. On that same day, for the first

time in the eight-month-long campaign, Bill and Suzie Brewster put up \$35,000 in personal funds—money that Brewster apparently used to purchase a blitz of election-eve television commercials.

The TV commercials may well have pushed Brewster over the top. Kerr says polls showed him 15 points up less than a week before the vote. The final tally was 67,069 votes for Brewster and 54,471 for Kerr.

One plausible motivation for Harold Holden to funnel such extraordinary amounts of money into Brewster's campaign could be gratitude. In 1989, Bill Brewster sponsored a piece of state legislation that became law on July 1, 1989, called the Oklahoma Waste Tire Recycling Act (Oklahoma Title 68, Section 53001). This act created a state fund to pay for the recycling and disposal of millions of used auto and truck tires that were despoiling the state in dumps, valleys, and along roadways. The law established a \$1 tax on the sale of new tires, 85 cents of which is paid to private tire recyclers for the collection, shredding and disposal of the tires.

Only one firm qualified for the program: Harold Holden's Safe Tire Disposal Corp., which, headed by Scott Holden, has collected more than \$7 million since 1989 from the state of Oklahoma. "The law was written in such a way that it established a virtual monopoly for Holden's company," said an Oklahoma legislator.

Joe Elles, Brewster's campaign treasurer in 1990, recalls that Holden and his associates were big contributors to the Brewster campaign, but four years later does not recall much detail. "The Holdens hosted an event for Bill Brewster," he says, though Elles did not attend it. "Bill was doing everything he could to accumulate funds and they were appealing to quite a few people."

The Brewster campaign was unaware that Holden had given money illegally to the governor's race, Elles says, adding that he was careful to make sure that the cam-

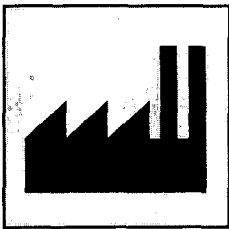
paign followed FEC rules carefully. But he adds that the campaign would not have known had Holden decided to channel funds through friends and associates. "You know, if they have a fundraiser and x number of people show up and contribute by individual checks, well, you just go from one place to another on the campaign trail. What contacts Bill and he [Holden] may have had, I can't speak to that."

But Pat Raffaniello, Brewster's chief aide, is unequivocal that there was no wrongdoing in connection with Holden. "All of the contributions that we received were legitimate and disclosed and all within the spirit and letter of the law," he says. "Nobody in the campaign has any knowledge of anybody violating any of the campaign laws."

And, concerning Harold Holden's \$5,000 contribution to Bill Brewster's state legislature campaign fund, Raffaniello says, "I am confident that there was no illegal transfer of funds."

Holden did not return repeated phone calls.

In November 1990, against a little known and underfunded Republican opponent in the overwhelmingly Democratic Third, Bill Brewster stampeded to victory with 80 percent of the vote.



The second chapter of Bill Brewster's life in Congress began when the newly elected congressman and his wife began their journey to Washington, D.C.

The freshman from Oklahoma reveled in the highly charged political atmosphere in the nation's capital. He loved the nonstop politicking, the network building, the aura of power that attached to the office of U.S. Representative. Shaky at first in matters of protocol, he leaned on other members of the Oklahoma delegation, in particular Dave McCurdy, and he developed a very close

working relationship with Sen. David Boren, vocal advocate of campaign finance reform. Bemused by the ways of Washington—he once expressed his shock at seeing Rep. Barney Frank (D.-Mass.), who is gay, dancing with another man at a congressional event—he nonetheless plunged in, building the connections and reputation that would catapult him into the Ways and Means Committee in just two years.

Unlike the vast majority of Democrats, Brewster received virtually no backing from organized labor. Most of the biggest PACs in Washington are labor PACs, and Democrats receive enormous sums from unions. However, Brewster had feuded with the AFL-CIO in Oklahoma ever since the 1980s, when he carried the banner for anti-union right-to-work legislation. Between February 1990 and December 1993, a period of 47 months, Bill Brewster received a mere \$36,350 from labor PACs, just 5 percent of his total PAC receipts of \$670,465. In contrast, the average Democrat in Congress who accepted PAC money received one-third of it from labor PACs.

In the House, Brewster landed a spot on the Public Works and Transportation Committee, which is known for its pork barrel politics, often funding pet projects in members' districts. As a result, in addition to his already established backing from energy and health care interests, Brewster began to attract significant support from transportation and construction interests. Railroads, trucking companies, air transport interests, and builders gravitated to Brewster, funneling \$39,500 in PAC money into his campaign war chest. The total represented more than three times the \$12,200 he received from these interests in 1990.

And, now that Brewster was an incumbent, PACs reluctant to back an upstart found their way to Brewster. In every sector—energy, health care, banking, agriculture—Brewster's PAC totals rose sharply. Some businesses that had stayed away from Brewster in 1990 began lining up to support him because of his reputation as an outright supporter. Most ironic, perhaps,

was the case of Kerr-McGee, a major energy company in Oklahoma with close ties to its namesake family, that of Robert S. Kerr III, Brewster's 1990 primary opponent. For six months in 1990, Brewster shied away from Kerr-McGee's Washington office, though the two eventually reconciled, with Kerr-McGee making a \$1,000 PAC donation to Brewster.

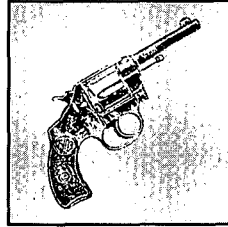
The paradox of Brewster's first year in Congress is that while his fundraising totals rose dramatically, he faced no real threat in either the primary or general election of 1992. In the first six months of 1991, with the election behind him and no likely challengers in the wings, Brewster raised \$108,805.

Enter Harold Holden once more. Holden's family, including Holden, his son and daughter, employees and associates once again came through handsomely; this time they kicked in a total of \$20,000 in identical \$1,000 contributions between June 24 and June 29, 1991.

Another Oklahoma heavyweight, oil man Mike Cantrell of Oklahoma Basic Economy, Inc., began organizing fundraisers for Brewster in Oklahoma City and Tulsa, each of which pulled in over a hundred people. Like most big givers, Cantrell denies any attempt to influence the way Brewster votes. "Money's not going to have any influence on where he stands at all," says Cantrell. "People give money to someone that has the same interests that they have." During 1991, with the help of a growing number of PAC contributions, the campaign managed to gather more than \$210,000.

Brewster was following in the footsteps of his Third district predecessor, Rep. Wes Watkins. Watkins says that he attempted to keep "a defense fund, which I think a smart politician's got to do I think I'd carry something in the way of a couple of hundred thousand dollars, so you could get geared up fast if you had to." The money, Watkins said, served as a deterrent against a potential opponent who might be considering a race against him.

In the end, the November 1992 general election pitted Brewster against a 25-year-old teaching assistant who spent a total of \$6,338. Brewster won with 75 percent of the vote.



As a sophomore, Bill Brewster shrewdly catapulted himself into the major leagues, securing a coveted seat on the Ways and Means Committee, the

most powerful committee of all. Such a feat was nearly unprecedented for a second-term member, and it took help from some of Brewster's campaign financiers to make it happen.

Because of the high turnover in the House after the 1992 vote, then Chairman Dan Rostenkowski had to fill an unusually high number of seats on the committee. And because the committee's membership is traditionally balanced among regions of the country, Brewster knew that he had a shot to fill one of the slots accorded to the southwest. Brewster had shown Rostenkowski that he was a hard worker (Ways and Means is not kind to dilettantes) and it was known that the chairman wanted a conservative to offset liberals on the committee.

According to several sources, Brewster had influential, behind-the-scenes assistance from oil lobbyist J.D. Williams, one of the capital's premier power brokers and an Oklahoman who knew Rostenkowski well. In addition, sources report, Brewster had the backing of the National Rifle Association. Two powerful House committee chairs, John Dingell and Jack Brooks, both of whom are very close to the NRA, reportedly backed Brewster, urging Rostenkowski to elevate the junior Oklahoma Democrat. He did.

Joining Ways and Means opened the floodgates for campaign money. Marvelling at the newfound power of joining Ways and Means, a former Brewster staffer says,

"That takes you out of the also-rans and puts you in with the big boys. It was almost as if we were freshmen again. A whole new group of people started coming into the office after he got on Ways and Means."

By the end of 1993, at least 313 individual PACs donated a total of \$230,248 to Brewster's campaign, and 1993 was not even an election year. Again, in every category—agriculture, banking and finance, energy, health, transportation, and communications—contributions increased. The pace continued in 1994, making it likely that Brewster will pull in close to \$1 million in PAC and individual donations for the 1993-94 cycle, more than twice what he raised as a freshman.

The record shows that over Brewster's career, PACs have become increasingly involved in the Oklahoman's campaigns with each succeeding election cycle—and, each year, less and less of Brewster's funds came from his district and state. During the 1990 campaign, running for an open seat, Brewster managed to raise a total of \$448,824, 37 percent (\$173,244) of which came from PACs. During the 1991-1992 campaign, 62 percent (\$266,973) of Brewster's total receipts of \$423,953 came from PACs. In the current 1993-1994 cycle, as of July 1, 1994, fully 71 percent (\$519,336) of his campaign contributions was PAC money—out of a total \$728,191.

The rising tide of PAC contributions to Brewster between 1990 and 1994 puts him among Congress' elite for his ability to tap into the PAC community. In 1992, for example, the average winner of a House race drew just 42 percent of his or her funds from PACs.

Back in Oklahoma, though, Ways and Means seemed a lot less important than in Washington. Mack Stafford, Brewster's campaign treasurer, says that while the PACs are impressed with the congressman's position, Ways and Means does not have a lot of significance in the Third District. "A lot of people don't even know what the Ways and Means

Committee is, down here in rural Oklahoma," he says.

To organize Brewster's Oklahoma fundraising operation, in 1993 the campaign established what it calls "the Century Club." Brewster boosters who contribute \$100 or more to the campaign were invited to a lively fundraiser. First held last August in the town of Shawnee, the event included big-name country singers, barbecue, a 10-

Over Brewster's career, PACs have become increasingly involved in the Oklahoman's campaigns.

minute Brewster video, and speeches by Bill and Suzie Brewster to the assembled crowd of 500 well-wishers. The get-together probably raised \$50,000 to \$100,000, and another one is planned for this year.

At the Shawnee get-together, a select group of larger contributors, those donating \$500 or more, were invited to join "the Medallion Club." About 100 people did so, attending a more private gathering in December at the Brewsters' home south of Marietta on a Sunday afternoon.

Stafford says that the Century and Medallion clubs allow the campaign to organize its fundraising more smoothly, consolidating a lot of statewide effort into a couple of central events, putting contributors on a computerized mailing list and sending them a quarterly newsletter. "So we don't have to go into each county and have individual fundraisers," he says. "It's an insider-type deal."

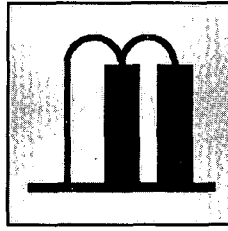
Asked why people give money to Brewster, especially since he appears to have no opponent, Stafford disclaims any quid pro quo. Instead, he describes a kind of harmony of interests. "I would say the main motivation is that people really believe in Bill Brewster," he says. "The ener-

gy people believe in him because they know he'll watch out for their best interests in energy. The agriculture people know he'll watch out for their best interests in agriculture." And so on.

I spoke to contributors in the Third District, but few were able to articulate a concrete reason for giving money. Some, like Madill, Oklahoma, lawyer Dan Little, had known the Brewsters for years and were "political friends." Others, like Jim Gunn of Stillwater, had explicit organizational reasons for backing the Brewster campaign. Last year, Gunn contributed \$800, but he made it clear that his decision is shaped by larger forces. "I belong to an organization called the Association for Advanced Life Underwriting, based in Washington, D.C.," he said. "We have a program in which we commit to give, not a lot of money, but \$1,000 a year, and basically we give it wherever it is determined by the organization that it be placed." Why? "We'd like to be able to have an opportunity to talk to people," he says. "They have to listen and sift, and we just want to be part of the listen-and-sift process... One sure way that people recognize you is that your name has been signed on the bottom of a check."

Nonetheless, Oklahoma-based fundraising is becoming less important to Brewster. Roy Dering, a Brewster critic who writes for the Ada Evening News, says, "He's getting big money, PAC money. That ... says to me one of two things: he's not seeking money from home, or he's not getting it. He's getting support from big-money interests. And that's the kind of thing people get upset about, about losing touch with us."

The data support Dering's comments. In the three months ending June 30, 1994, for example, Bill Brewster raised more than \$200,000, 80 percent of which came from PACs. From Ardmore, Madill, and Marietta—the area of Oklahoma where Brewster got his start, he raised only \$2,750 during those three months, \$1,000 of which came from Harold and Scott Holden..



Suzie Brewster is an accomplished fundraiser and the acknowledged strategist behind her husband Bill's finances. Until June 1, Suzie worked

full-time as a professional fundraiser at Springer Associates, a Washington, D.C., consulting firm that organizes campaign financing for eight members of the House, including Bill Brewster.

During much of 1993 and 1994, Brewster paid Springer \$3,000 a month to help the campaign pull in funds from Washington PACs and lobbyists. "Suzie is as good at it as anybody I've ever seen," says Maggie Springer, the firm's owner. Together, Springer and Suzie Brewster organized the April 26 "Oklahoma Round-Up," putting together a steering committee of industry givers, sending out invitations, making telephone calls, keeping track of the money, and filling out the required FEC forms.

The secret of Washington fundraising, Springer says, is to develop relationships with the key people in the PAC community. Raising money from PACs is kind of a mutual dance. For the most part, PACs budget donations to political campaigns on an annual basis, keeping in mind the \$10,000 limit per cycle—but they rarely tell the members of Congress what they have budgeted for them.

"And having budgeted doesn't necessarily mean that they're going to give," Springer says. "They then sit back and wait to be asked. Nobody gives unless they're asked. So that's the first thing, to make sure that all the right people get asked."

Springer adds, "We have a rule around here that everybody is touched twice, once by mail and once by phone." Keeping track of trends and issues, sensing when particular PACs or industries are more or less interested in making donations, knowing how much money a PAC has available overall, even being aware of the degree of sensitivity to public perception about in-

fluence peddling—all these are things that political fundraisers must keep in mind.

"And," she says, "with PAC directors with whom I have a relationship, I can call them at the beginning of the cycle and say, 'How much have you budgeted for Bill Brewster and how do you want to give it?'"

As an example of the relationship that develops between a member and a PAC, consider United Parcel Service (UPS), which operates one of the largest PACs. Since 1991, UPS PAC has funneled \$17,500 into Brewster's two campaigns. Arnold Wellman of UPS's government affairs unit says the company has worked with Brewster since the 1980s, when he helped sponsor tax incentives for converting the carrier's fleet of trucks to alternative fuels. During the debate over the North American Free Trade Agreement (NAFTA), which UPS strongly backed, the company lobbied hard, and successfully, to win Brewster's vote. But Wellman stresses that because Brewster has a longstanding relationship with UPS, because he has visited UPS' facility in the Third district "not once but a number of times," and because he is always accessible and "visits with our people"—all of that means more to the company than whether he votes "yes" or "no" on a particular issue. The PAC money, he says, "is a way for us to support candidates who are willing to listen to our point of view."

It is Brewster's relationship to the oil and gas industry that best exemplifies the true nature of the relationship between lawmakers and monied interests. As important as Oklahoma oil men like Harold Holden and Mike Cantrell are to Brewster, lobbyists and PACs representing members of the petroleum industry are the ones who now swing the really big money into the Brewster campaign fund. Since 1990, PACs from the oil and gas industry and related energy interests have poured more than \$145,000 into Brewster's treasury.

Spokesmen for oil companies, on and off the record, state frankly that they coordinate on an almost daily basis with Bill

Brewster and his staff, particularly Pat Raf-faniello.

"In his brief time in Washington he's done a good job in representing the industry," says Don Duncan of Phillips. In February, Duncan joined a couple of dozen representatives of the oil and gas industry at a fundraising breakfast in Washington for Brewster. A steering committee comprised of Jean Mastres of Occidental Petroleum and Pete Frank of Kerr-McGee shepherded the major oil producers into a room where the lobbyists spent about 90 minutes with the congressman. Attendees included Chevron, Shell, Exxon, Texaco, Sun, Phillips, Kerr-McGee, Occidental, Conoco and others, including transporters and retailers. "We all know each other,"

It is almost as if Brewster were elected to represent not the people of Oklahoma's Third District, but the oil and gas industry.

says Mastres, making it easy to put together an event. A minimum donation to Brewster of \$500 was the price of admission.

In a curious turn of phrase, Mastres said that they met as "concerned constituents, if you will, not just constituents of Oklahoma but constituents of the energy industry." It is almost as if Brewster were elected to represent not the people of Oklahoma's Third District, but the oil and gas industry.

The breakfast occurred at a critical moment for the oil industry. World oil prices were near historic lows, and many oil producers were clamoring for lower taxes, production incentives, and relief from government regulation. Small producers, like those in the Independent Petroleum Association of America (IPAA) were especially concerned about the collapse in prices. The big producers, along with pipeline operators, drillers, retailers, and

others all had their concerns.

Bluntly, Mastres says that at times like that "you always look for someone (like Brewster) that can, quote, 'carry the water' on an issue." And carry the water he did. In a series of meetings, Brewster agreed to gather the combined concerns of the oil and gas industry into a single list of preferred reforms and tax changes. Working alongside IPAA and the major producers, he helped organize a bloc of 117 members of Congress determined to bring the oil industry's issues to the attention of the White House.

"They call it the Boren-Brewster tax package," Mastres says, adding that it includes tax cuts, tax incentives and regulatory relief. "It's sort of a wish list. This is the combined wish list for the industry." And the package, which would cost the U.S. Treasury \$3 billion over 5 years, would probably not have seen the light of day had it not been for the two Oklahomans, Rep. Bill Brewster and Sen. David Boren.

Brewster had already earned a reputa-

tion as a bold defender of the oil industry in 1993, during the battle over the Clinton administration's proposal to enact an energy tax, called a BTU tax. Brewster astonished oil industry representatives by going directly to President Clinton, securing a face-to-face meeting at which he convinced the president to shift the point of collection for the BTU tax away from the producer and directly onto the bill that each consumer receives from the utilities. Not only did his action propose to save billions of dollars for the oil industry, but it made it easier for the industry to kill the tax entirely later on in the legislative process. Overnight, Brewster was a hero.

Don Duncan of Phillips cites Brewster's action as a "glowing example" of Brewster's record of support. "Here all of a sudden a freshman [on Ways and Means] goes directly to the president," he marvelled.

Duncan is quick to say that it would be wrong to consider what Brewster did as a quid pro quo for the oil industry's support.

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"It's not like the old days, [where] you give a guy a contribution and he's yours for life," says Duncan. "Members are more independent, and the nature of lobbying has changed drastically." Instead, he says, "The whole idea behind campaign giving is, you give to the members ... who you feel best represent your interests."

But if money does not produce immediate favors, too many votes in the wrong direction by a member of Congress can lead to an abrupt halt in the flow of campaign funds. Says Duncan, "If a member ... is gonna cast a vote that's really gonna hurt you, I've been known to call and say, 'I told you I'm coming to your event. I'm not.'" Duncan says that he receives eight to ten invitations a week to fundraisers, and he carefully examines the record of the member before recommending to Phillips' PAC that they contribute.

Another oil company PAC director is equally blunt. "If I see a vote or two votes that are diametrically opposed to a position that we've taken very strongly, I'll report back to the PAC that I think we should rescind their decision to give them money," he says.



It's a busy day on Capitol Hill. The House is just hours away from a vote on whether or not to ban certain types of automatic weapons, and Bill Brewster is hunting for votes to kill the ban. It's beginning to look bad for Brewster's side, however, and an aide tells him that they have just lost another handful of votes.

But Brewster keeps an appointment for an interview, and we sit down in a noisy corner of an antechamber in the Capitol.

It is immediately clear that Brewster does not think much of the various reforms that are being bandied about to deal with the public's perception that Congress is beholden to monied special interests. I ask

him why he voted against a recent proposal to reform lobbying and prohibit gifts to members of Congress. "I think it's ludicrous that somebody takes the attitude that if you take a lunch or dinner with a lobbyist, that you can be bought," he says. "That you can be bought for any price."

One of the reforms, I note, would have barred members from accepting three- and four-day, all-expense-paid trips to resort hotels to attend conventions organized by lobbyists. Brewster, since coming to Washington, has taken at least 30 such trips; during 1993, for instance, he visited Palm Springs on the tab of the Tobacco Institute; Palm Beach, paid for by Philip Morris; Sarasota, Florida, for the American Medical Association; along with three other Florida trips, Los Angeles, San Antonio, and San Juan, Puerto Rico, all paid for by lobbyists.

"I do give speeches to constituents," he replies. "As to where they hold their conventions, uh, I don't guess that I have any control over where they hold them." I refrain from pointing out that little or no tobacco is grown in Oklahoma, so it is difficult to describe the Tobacco Institute or Philip Morris as "constituents" of his. (In fact, since 1990 Brewster has accepted more than \$17,000 in tobacco money and, from his position on Ways and Means he has opposed plans to jack up federal taxes on cigarettes.)

Asked why he voted for campaign finance reform in 1992, when it was certain to be vetoed by President Bush, and then against an almost identical bill in 1993, when President Clinton said he would sign such a bill into law, Brewster says, "Because it had public financing in it the second time around... When you get into public finance, or welfare for politicians, I have a problem." But Brewster is wrong: the 1992 bill did include a provision for public financing, yet many of those who oppose reform in the House voted for it, knowing that it would die in the White House.

Confidently, Brewster says that he can run and win no matter what reformers do. "We can play within whatever rules they

set. If they eliminate PACs, we'll go participate however they want," he says. "I can make it up. Any way they want to do it... We'll just go fundraise from those individuals in those particular industries, same way."

Brewster could begin with the health care industry. Although there are no known drug manufacturers in the Oklahoma's Third district, during 1993-94 Brewster has accepted a total of more than \$15,000 in PAC money from Abbott, Ciba-Geigy, Eli Lilly, Glaxo, Hoffman-LaRoche, Johnson & Johnson, Merck, Pfizer, Sandoz and many others. In all, Brewster has pocketed \$139,000 from health care industry PACs since 1990, and hundreds of thousands more from business groups that oppose health care reform and, in particular, any

Clinton administration's 1993 stimulus plan, against a cut in Star Wars funding, against a proposal to shut down NASA's space station, against extended unemployment benefits, and for NAFTA. More important, in crucial committee and subcommittee bargaining, he has aggressively promoted the agenda of the National Federation of Independent Business, the Chamber of Commerce, the oil industry, and others.

Among people concerned about jobs, crime, health care, and schools, campaign finance reform has not yet become a priority. Ellen Miller, who heads the Center for Responsive Politics, says that Americans have yet to realize what it costs them when PACs and wealthy individuals are able to set the agenda for what gets debated in Congress. "People have to understand that the ability of these special interests to influence what happens in Congress affects their jobs, it affects how much money there is to fix up their towns, to provide help to people who need it," she says.

Tax breaks and subsidies for industries, she says, add \$35 billion to the cost of energy, \$30 billion to food costs, and billions more to the cost of nearly everything we buy, Miller says. A small campaign contribution of a few thousand dollars can result in a tax break worth tens of millions, she says. Only when people grasp the immediate pocketbook cost of the current patterns of campaign finance will they demand that the system be fixed.

When they do, they could throw their support behind one of several alternatives. One option would be public financing of campaigns modelled on the system now used for presidential elections, coupled with strict regulation of so-called soft money donations. This would eliminate the need for private money and provide the government with constitutional authority to regulate private fundraising. Almost every public interest group supports a version of this reform; even veteran

Brewster has a string of votes in Congress that dovetail with the wishes of his contributors.

plan that includes a mandate requiring employers to provide health insurance for their employees.

Brewster is implacably opposed to almost all versions of health care reform. How many people in your district don't have health insurance? I ask. He hesitates, talks to an aide, and replies that in a survey that his office sent out to Third district voters, 12 percent of those who replied said they lack insurance. (The actual figure for the state of Oklahoma is 18 percent, according to Census Bureau data, and in the Third district it is over 20 percent.) The plan that Brewster supports would leave that figure unchanged.

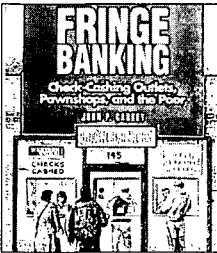
So it goes. Brewster has a string of votes in Congress that dovetail almost perfectly with the wishes of his contributors: he voted against the family leave bill, against the ban on striker replacement, against the

fundraisers concede such rules would make a big difference. Alas, a similar proposal was advanced by the Clinton administration in 1993. Congress, thanks to resistance by lawmakers like Brewster, wanted nothing to do with it. Now, the issue has all but fallen off the radar screen.

Cynical voters seem indifferent to charges of corruption and campaign finance abuses. If Bill Brewster's backers did indeed play fast and loose with FEC rules, will his constituents care? A source at the FEC thinks not. "Oklahoma is one of those states, like Kentucky and Louisiana, where political corruption is seen more as theater or sport than as something to worry about," he says. "If you get caught, you're considered stupid, not bad." And, except in rare instances, the FEC has little power to impose stiff sanctions on campaign violators; instead, the FEC counts on the bad publicity associated with an FEC finding of wrongdoing to rile up voters. Often, that fails.

Asked about the prevailing notion of campaign finance abuses and political ethics in Oklahoma, a leading politician quotes Huey Long: "Never write to a man that you can talk to, never talk to a man that you can whisper to, and never whisper to a man that you can wink at." Whether Oklahomans wink at Bill Brewster remains to be seen.

The success of politicians who make maximum use of the current campaign finance system epitomizes a terrible paradox about American politics. Interest groups that can deliver large campaign contributions are well represented. Ordinary people feel unrepresented, and their dismay and disaffection have been growing. Yet despite public disaffection, declining voter turnout, and the scattered appearance of populist reform movements, the electorate fails to send to Congress the kind of people who might correct the system of campaign finance that is at the root of their own disenchantment.♦



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Voting Rites

Why We Need a New Concept of Citizenship

Michael Schudson

If recent trends hold up, only about one of every three eligible voters will show up at the polls this fall. Inevitably, many will conclude that Americans have once again failed as citizens. The problem, however, may not be individual failure so much as our contemporary conception of how democratic citizenship ought to work. Nothing puts that conception into clearer perspective than changes in the act of voting over the past 200 years.

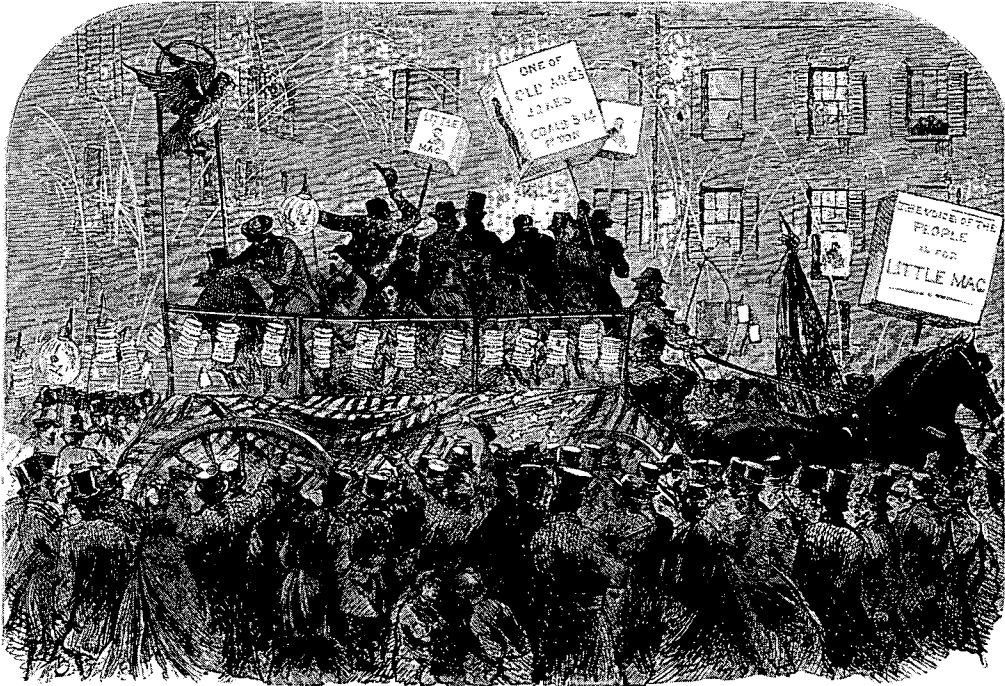
Imagine yourself a voter in the world of colonial Virginia where George Washington, Patrick Henry, and Thomas Jefferson learned their politics. As a matter of law, you must be a white male owning at least a modest amount of property. Your journey to vote may take several hours since

there is probably only one polling place in the county. As you approach the courthouse, you see the sheriff supervising the election. Two candidates for office stand before you, both of them members of prominent local families. You watch the most prominent members of the community, the leading landowner and clergyman, cast their votes, and you know whom they have supported because they announce their votes in loud, clear voices. You do the same and then step over to the candidate for whom you have voted, and he treats you to a glass of rum punch. Your vote has been an act of restating and reaffirming the social hierarchy of a community where no one but a local notable would think of standing for office.

Now imagine you are in eighteenth century Massachusetts rather than Virginia. The model of voting is different, as you elect town selectmen and representatives at a town meeting. But, like Virginia, the New

England model reflects an organic view that the polity has a single common good and that the leaders of locally prominent, wealthy, and well established families can be trusted to represent it. Dissent and conflict are no more acceptable in New England than in Virginia.

Move the clock ahead to the nineteenth century, as mass political parties cultivate a new democratic order. Now there is much more bustle around the polling place. The area is crowded with the banners and torches of rival parties. Election day is not set off from other days but is the culmination of a campaign of several months. You must still be a white male but not necessarily of property. During the campaign, you have marched in torchlight processions in military uniform with a club of like-minded men from your party. They may accompany you to the polls. If you were not active in the campaign, you may be roused on election day by a party worker to escort you



PRESIDENTIAL ELECTORATEERING IN NEW YORK.—TORCHLIGHT PROCESSION OF THE M'CALLAN PARTY.

on foot or by carriage. On the road, you may encounter clubs or groups from rival parties, and it would not be unusual if fisticuffs or even guns were to dissuade you from casting a ballot after all.

If you do proceed to the ballot box, you may step more lively with the encouragement of a dollar or two from the party—less a bribe than an acknowledgment that voting is a service to your party. A party worker hands you a colored ballot with the printed names of the party's candidates. You may also receive a slightly smaller ballot with the same names on it that can be surreptitiously placed inside the other so that you can cast two ballots rather than one. You are willing to do so not out of a strong sense that your party offers better public policies but because your party is your party, just as, in our own day, your high school is your high school. In any event, parties tend to be more devoted to distributing offices than to advocating policies.

Now turn to the early twentieth century as Progressive era reforms cleanse voting of what made it both compelling and, by our

standards, corrupt. Reformers find the emphasis in campaigns on spectacle rather than substance much too emotional. They pioneer what they term an "educational campaign" that stresses the distribution of pamphlets on the issues rather than parades of solidarity. They pass legislation to ensure a secret ballot. They enact voter registration statutes. They help create an atmosphere in which it becomes more common for traditionally loyal party newspapers to "bolt" from party-endorsed candidates. They insist on official state ballots rather than party ballots and in some states develop state-approved voter information booklets rather than leaving education up to the parties themselves. At the same time, civil service reform limits the rewards parties can distribute to loyal partisans.

The world we experience today at the polls has been handed down to us from these reforms. What does voting look like and feel like today?

I asked my students at the University of California, San Diego to write about their

experience of voting in 1992. Many of them had never voted before; hardly any had voted in a presidential election. It is something they looked forward to doing, especially those who supported Clinton. Still, some students felt a let-down in the act of voting:

As I punched in the holes on my voting card, a slight sense of disappointment clouded my otherwise cheerful mood. First of all, the building behind Revelle Bargain Books was not what I had always imagined as a polling place. How could a location this close to the all-you-can-eat cafeteria be the site of a vote to choose the leader of our nation? Second, I could not understand why there were no curtains around my booth. As a child I can always remember crawling under curtains in voting booths to spy on my parents. Why couldn't I have those curtains to hide all of my important, private decisions?

Or listen to this student, a Filipino-American who voted for Bush:

The more I tried to be aware of the political goings-on, through television mainly, the more I became aggravated with the whole situation. Perot represented the evil of a one-man monopoly, while Clinton was a man who knew how to manipulate an audience and use the media. In addition, Hillary reminded me of the stories and comments my parents made about Imelda Marcos. Taxes came to mind every time I considered Bush, but I decided he might be the best qualified candidate.

My Dad was an influential part of my decision to go; not because he urged me to do so, but so that after the election I would finally be able to tell him that I voted.

Needless to say, no one at the polling site seemed to talk politics, at least not when I was there. The silence did not bother me, though, since I am definitely

not confident enough to talk politics to anyone outside of my family!

Or this immigrant Russian:

My Mom went to vote with me that day (at the polling place in a neighbor's garage). The night before, I had marked my mother's sample ballot with circles around "yes" and "no" on particular propositions and checked the boxes next to "Feinstein" and "Boxer" so she would not forget. The sample ballot is very convenient. The propositions are especially grueling to read. They disguise themselves in legal/state jargon and refuse to give way to meaning.

I felt distantly connected to other voters in other garages who would be making the same vote for change as I would. Nevertheless, I went through my ballot, standing in that cardboard cubicle, in a very ordinary way, feeling that I was, most likely, insignificant and that my views would find no representation. I remember guessing on some local offices, like county supervisor, and trying not to pick a "Christian right" candidate.

The individuality and jealously guarded privacy of voting today contrasts dramatically with the *viva voce* process of eighteenth century Virginia or the colorful party ticket voting of the nineteenth century. So do the indecision and uncertainty. The students felt inadequate to the election—and why not? The list of propositions and complex voter information pamphlet in California were overwhelming. My voter information pamphlet for the June 1994 primary ran forty-eight pages—and that was just for city and county offices and referenda. For state offices and ballot measures, a separate publication ran sixty-four pages. The obscurity of many candidates and issues encouraged mass pre-election mailings of leaflet slates of candidates produced by profit-making organizations with no connection to political parties. I received, for instance, "Voter Information Guide for Democrats" and

"Crime Fighters '94" produced by "Democratic Choice '94." The weary voter had to read the fine print to learn that neither slate was endorsed by the Democratic party.

Whatever else we learn from elections, we are tutored in a sense of helplessness and fundamental inadequacy to the task of citizenship. We are told to be informed but discover that the information required to cast an informed vote is beyond our capacities. We are reminded that the United States has the lowest voter turnout of any democracy but rarely told that we have more elections for more levels of government with more elective offices at each level than any other country in the world. We are enjoined by critics of Lockean liberalism to devote ourselves more heartily to the public weal as social beings, but in the primal act of citizenship we face the ballot alone, in privacy, with our own conscience, face to face with our own ignorance.

The Burden of Progressivism

We need a new concept of citizenship, one that asks something from us but is not burdened with the impossible expectations of the Progressive model. Contrast what we implicitly expect of ourselves today and what Thomas Jefferson hoped for citizens 200 years ago. In the preamble of Bill 79 to establish universal elementary instruction in Virginia, Jefferson observed that the people normally elect men of standing in the community. The community needs especially to educate these leaders. As for the citizenry at large, Jefferson sought to inculcate through the study of history knowledge that "they may be enabled to know ambition under all its shapes, and prompt to exert their natural powers to defeat its purposes." That was the whole of the citizen's job—watchfulness to defeat ambition.

Citizens were decidedly not to undertake their own evaluation of issues before the legislature. That was the job of representatives. The Founding Fathers assumed that voters would and should choose rep-

resentatives on the basis of character, not issues. Representatives would have enough in common with the people they represented to keep their "interests" in mind. For the Founding Fathers, elected representatives—not parties, not interest groups, not newspapers, not citizens in the streets—were to make policy.

We have come to ask more of citizens. Today's dominant views about citizenship come from the Progressives' rationalist and ardently individualist worldview. The Progressive impulse was educational—to bring science to politics and professional management to cities, to substitute pamphlets for parades and parlors for streets. The practice of citizenship, at least in campaigning and voting, became privatized, more effortful, more cognitive, and a lot less fun.

In the eighteenth and nineteenth centuries, there was no concern about the people who did not vote. Political science and public discourse began to worry about nonvoters only after World War I when voting rates had declined to a low not reached again until the 1970s. The National Association of Manufacturers, the news media, and other groups responded by designing "get out the vote" campaigns, those largely fruitless moral injunctions to "vote, vote for whomever you choose, but vote." Such slogans were unheard of in the decades of highest voter turnout from 1840 to 1900. You sure as hell did not want people from the other party voting. Campaigns were military efforts. You already knew who stood in your army behind your banner; the task of the campaign was to get them to the polls. Citizenship was social; the Progressives, in the name of rationality and education, changed all that.

The Progressive ideal requires citizens to possess a huge fund of political information and a ceaseless attentiveness to public issues. This could never be. Even at the Constitutional convention of 1787 a delegate observed that people grew "listless" with frequent elections. Fifty years later Tocqueville lamented, "Even when one has

won the confidence of a democratic nation, it is a hard matter to attract its attention." A half century thereafter Woodrow Wilson wrote:

The ordinary citizen cannot be induced to pay much heed to the details unless something else more interesting than the law itself be involved.... If the fortunes of a party or the power of a great political leader are staked upon the final vote, he will listen with the keenest interest...but if no such things hang in the balance, he will not turn from his business to listen.

So if, as some people suggest these days, Americans suffer from a political attention deficit disorder, it has been incubating for a long time. Perhaps television or party decline exacerbates it. But public inattention has been a fact of political life, with only momentary escapes, through our history. If this is so, what is a reasonable expectation for citizens, a reasonable standard of citizen competence?

A Practical Citizenship

Under democratic government, as the Founding Fathers constituted it, the representatives of the people could carry on the business of governing without individual citizens becoming experts on the questions of policy placed before the Congress. Similarly, technologies of cognition, as Donald Norman argues in his book *Things That Make Us Smart*, allow us to act more intelligently without being any smarter or performing great feats of memory. We can carry a datebook, consult a dictionary, use a calculator, run spell check. We don't have to keep everything in our heads. Cognition is distributed.

Citizens are not to be created one by one, pouring into each of them enough newspapers, information, or virtuous resolve for them to judge each issue and each candidate rationally. That is where the Progressive vision went wrong. Citizens flourish in an environment that supports worthwhile citizenship activities. We should be intent on creating such an en-

vironment, not on turning every voter into an expert.

If, like the Progressives, we take citizenship to be a function of the individual, we are bound to be discouraged. A classical model of citizenship asks that people seek the good of the general, the public. But this is either utopian—people just do not pay that kind of attention—or else undesirable because it honors public life to the exclusion of work-a-day labor or inner spiritual pursuits. A more Lockean, modern, realistic version is that citizens should be moved in public life by self-interest and so should acquire a fair understanding of their own interests and which public policies best serve them. But people's knowledge of public affairs fails even by this standard. Even self-interest in politics is a surprisingly weak reed since the gratifications of private life—getting home on time rather than stopping at the polls to vote, spending seven or eight dollars for a movie rather than for a campaign contribution—are more visible and immediate than the marginal contribution one might make to determining policy by voting, signing a petition, or writing a letter.

How low can we go? We can seek to build a political system where individuals will perform the right actions for their own or the public's interest without knowing much at all. People will do the right thing in general ignorance. User-friendly technology works this way; almost anyone can drive a car while knowing scarcely anything about what makes it run.

In *The Reasoning Voter*, Samuel Popkin suggests we are pretty close to this user-friendly politics already. Relatively little of what voters know, Popkin argues, comes to them as abstract political intelligence. They make intelligent voting decisions based only in small measure on their attending to campaign issues. People have little of the propositional knowledge that models of citizenship demand, but they have more background knowledge than they may

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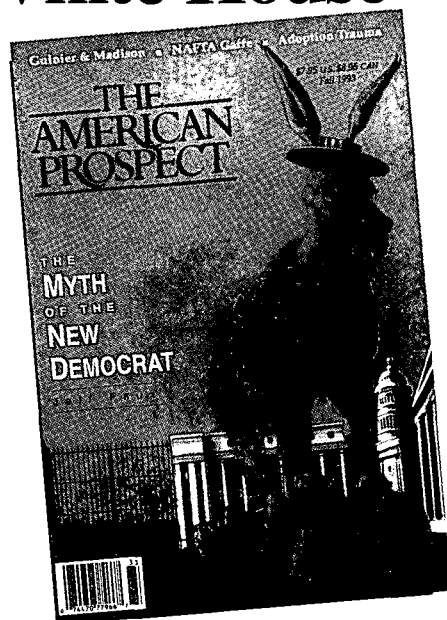
[Laura] Tyson said she and [Bob] Reich had once had a debate in THE AMERICAN PROSPECT on whether the nationality of a firm was important.

"Yeah, Laura was wrong," Reich said.

Clinton looked as if a light had switched on in his head. "I didn't know you wrote that," he said to Tyson. "I forgot that. You know what? You were right, and Bob was wrong."

How many people in the country, Tyson wondered, read THE AMERICAN PROSPECT?

— Bob Woodward, in *The Agenda*.



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realize. They know about economic issues because they have savings accounts, home mortgages, or mutual funds. They have views about health care reform because they know someone personally who has been denied health insurance because of a pre-existing condition. They have enough "by-product information" from daily life to make the broad, either-or choice of a presidential candidate in ways consistent with their own interests and views. Even in presidential primaries, Popkin suggests, shifts in voter allegiance are better explained by a model of "low-information rationality" than by media manipulation or passions run riot.

In elections for school boards and other local contests, however, where public information about candidates is more limited and there are often no party labels (again, thanks to Progressive reforms), voters may find themselves in the polling booth without a clue about whom to support. This is not a new condition, if the humorist Finley Peter Dunne is to be believed: "A rayformer thinks he was ilicted because he was a rayformer, whin th' thruth iv th' matter is he was ilicted because no wan knew him."

The Citizens' Trustees

Citizens have to find trustees for their citizenship. Identifying adequate trustees and holding them responsible, I submit, is where we should focus attention. There are three main sets of trustees: politicians, lobbyists, and journalists. Elected officials are our primary trustees. Their obligation is to act with the public in view. They act not so much in response to deliberative public opinion—which rarely exists—but in anticipation of future reward or punishment at the polls. The politicians may not always perceive public opinion accurately. They may not judge well just how much they can lead and shape and how much they must follow and bow to public sentiment. But the motivational structure of elective office demands that they must always be sensitive on this point.

Lobbyists are a second set of trustees. If you believe in the individual's right to bear arms unrestrained by federal legislation, send your annual dues to the National Rifle Association. If you believe that the environment needs aggressive protection, send your dues to an environmental action group. If you do not know what you believe—and this is the common condition for most people on most issues before the nation—you will do better at expressing your will if you at least know that you tend to favor one party over another. Partisanship is a still useful cue. The rise of the "independent" voter has been much exaggerated, political scientists have now come to see, and party loyalty remains meaningful. Even in the American system where parties tend to converge on a middle ground, they arrive there from different directions and, in a pinch, fall back on contrasting inclinations.

Two mechanisms keep politician-trustees responsible. The first is the election, fallible as it is. If the representative does not satisfy the citizens, they have a regularly scheduled opportunity to throw the bum out. The second constraint on the politician is the party system. Of course, the party is a more effective discipline on wayward politicians in strong parliamentary systems than in the United States. Here parties are relatively weak, and entrepreneurial politicians relatively independent of them. Still, a politician's party affiliation is a check on his or her policy views and a useful piece of information for voters.

The demands citizens make on lobbyists are much narrower than those placed on politicians—lobbyists are expected to be advocates rather than judges, suppliers of information and resources to sympathetic politicians rather than builders of politically viable solutions to public problems. They are the instructed agents of their organizations rather than Burkean independent-minded representatives. As individuals, they are easy to hold responsible. The question of responsibility with lobbyists is how to hold the whole system responsible since

the balance of lobbying power tilts heavily toward the richest and most powerful groups in society. If the system works, it facilitates expression for intensely felt interests from the far corners of the country; if it works badly, it twists and clogs up the primary system of political representation.

The usual answer is to seek to limit the influence of lobbies through campaign finance reform and other restrictions on lobbying activities. An alternative approach seeks to grant lobbyists more authority rather than less influence. Instead of closing down access where the rich and powerful have the resources to guarantee their over-representation, can entree be opened in settings where a broad array of interest groups are assured a voice? In decision making in some federal administrative agencies, interest groups have been granted quasi-public standing. The Negotiated Rulemaking Act of 1990 enables agencies like the Environmental Protection Agency and the Occupational Safety and Health Administration to create committees of private organizations to write regulatory rules.

For instance, EPA arranged for the Sierra Club and the Natural Resources Defense Council to sit down with the American Petroleum Institute and the National Petroleum Refiners Association to work out rules to carry out the Clean Air Act. Millions of Americans belong to organizations that employ paid lobbyists; the lobbies are not about to disappear nor should they. But controlling them may be a delicate balance of restraining some kinds of influence while orchestrating other public opportunities for special interests to take on responsibility for governing.

The third set of trustees—the media—is the most difficult to hold accountable. The market mechanism does not serve well here. People buy a newspaper or watch a television network for many purposes besides gathering political information. The quality or quantity of political intelligence does not correlate well with the rise and fall of newspaper circulations or television

news ratings.

There are, as the French press critic Claude-Jean Bertrand suggests, a variety of “media accountability systems”—non-governmental mechanisms to keep the news media responsible to public interests and opinions. These include codes of ethics, in-house critics, media reporters, and ombudsmen, as well as liaison committees that news institutions have sometimes estab-

Can we have a democracy if most people are not paying attention most of the time? We must, because this is the only kind of democracy we will ever have.

lished with social groups they may report on or clash with. There are also letters to the editor, journalism reviews, journalism schools, awards for good news coverage, and libel suits or the threat of libel.

But media criticism is in crisis. There is little agreement on what the media should be doing. Increasingly critics charge that providing information is not enough; they say that providing so much information with so little direction on how to interpret it may confuse and alienate the audience. These critics urge that journalists have an obligation to engage, not just to inform. But others respond that this goes beyond the appropriate role for the press. They say that muckraking may make the blood boil momentarily, but will more likely teach cynicism than activism.

Still others have urged the media both to resist the agenda of politicians and to refrain from imposing their own. Instead, these critics, such as Jay Rosen of New York University, recommend a “public journalism” in which the press actively solicits public views through surveys, focus groups, town meetings, and other mechanisms to arrive at a “public agenda” that the news media can then take as a brief

for news coverage. This is a novel direction that some news organizations have responded to with enthusiasm. And it is a hopeful sign that at least some editors and publishers feel an urgency about reconceiving themselves and committing themselves to making democratic citizenship possible.

Other experiments are taking place, too. In cities where government has established decentralized neighborhood councils, the councils may run their own newspapers or have assured space for their proceedings and announcements in freely distributed commercial papers—as in St. Paul, Minnesota. Still, there is no consensus today on just what standards for the press are appropriate.

The Overworked Citizen

William James said nearly a century ago that our moral destiny turns on “the power of voluntarily attending.” But, he added, though crucial to our individual and collective destinies, attention tends to be “brief and fitful.” This is the substantial underlying reality of political life that any efforts at enlarging citizenship must confront. Can we have a democracy if most people are not paying attention most of the time? The answer is that this is the only kind of democracy we will ever have. Our ways of organizing and evoking that brief and fitful attention are different but not necessarily any worse from those in our past.

One response could be to harness the rare moments of attentiveness. Social movements and the occasional closely fought, morally urgent election have sometimes done that. When political scientists have looked at intensively fought senatorial campaigns, for instance, and compared them to run-of-the-mill campaigns, they find much more information in the news media about candidates’ policy positions, increased knowledge among voters about those positions, and apparently increased inclination of voters to make decisions on the issues. At the level of presidential politics and occasionally in senatorial or gubernatorial politics, there is enough in-

formation available for voter rationality to have a chance; but for other offices, Alan Ehrenhalt may be right in his book *The United States of Ambition* that our elections say much more about the supply of candidates than the demands of voters.

An alternate response would be to build a society that makes more of situations that build citizenship without taxing attentiveness. In an environment that supports worthwhile citizenship activity, there is intrinsic reward for doing the right thing. If we interpret citizenship activity to mean taking unpaid and uncoerced responsibility for the welfare of strangers or the community at large, examples of good citizenship abound. I think of the people who serve as “room parents” in the schools or coach Little League. Why do they do it? Their own children would do just as well if someone else took on the job. Coaching Little League or serving in the Parent-Teachers Association are activities or practices rather than cognitive efforts; they are social and integrated into community life. They make citizenship itself into a “by-product” effect. Their success suggests that citizenship may be harder to instill when it involves burdens beyond daily life than to engineer it as an everyday social activity. The volunteers may not enjoy every minute, but they find intrinsic social reward in having friends, neighbors, and strangers praise and admire them.

Our common language for a better public life seems impoverished. We think of politicians with distrust rather than thinking of ways to enforce their trustworthiness. We think of lobbyists with disdain instead of thinking of ways to recognize and harness their virtues. We think of journalists alternately as heroes or scoundrels. And we think of our own citizenship too often with either guilt at our ignorance and lack of participation or with a moral pat on the back for having sacrificed more than our neighbors. We must think more about building a democratic environment that will make us smarter as a people than we are as individuals.♦

The People vs. the Parties

Kevin Phillips

Massachusetts pundits and periodicals like to pour great debates from parochial pitchers. The big question of 1992 was whether Democratic ex-Senator Paul Tsongas could merchandise his hairshirt economics west of New England (no, as it turned out). Looking ahead to 1996, the wonderment is whether a cultural moderate liberal and fiscal conservative like GOP Governor William Weld can sell his own Eastern elite ideology to a nominating convention dominated by Indianapolis and Oklahoma City. Probably not.

These questions suggest a broader one: Can the current party system nominate anybody interesting or useful? Can either the Republicans or Democrats plausibly choose a nominee who will openly offer the elite viewpoint on a critical public policy smorgasbord: moderate liberalism on cultural issues, a budget-cutting approach to middle-class entitlements, sophisticated internationalism, and distrust of popular or plebiscitary politics and government? If not, isn't that limitation a deficiency of the system?

Now consider two other variations. Can a libertarian triumph in either Democratic or Republican clothing? Could either side nominate a committed theorist of a lesser role for government? Then, in another vein, can the case for rule by the people be offered and heard? Would either party put an establishment-baiting populist at the top of the ticket? Would the Republicans or Democrats willingly embrace a practitioner of cultural and institutional outsiderism (Religious Right activism, anti-Washington sentiment, or both), someone who also endorses middle-class economic interests or tax revolts, nationalism or neo-isolationism, and a wide range of populist mechanisms like term limits, recalls, initiatives and referenda, and ballot propositions to allow the public to vote on tax increases? I can't imagine any such candidate, even though

national polls show the electorate tilting in many (even most) of these populist directions and in some libertarian ones. In fact, politicians who begin to embrace two or three of these populist views or any comparable libertarian ideas usually become pariahs in establishment circles.

So it is not surprising that artifice is emerging as the best White House qualification. The typical Democratic presidential nominee, based on 1988 and 1992, can be described as a technocrat or meritocrat with elite tendencies. The caveat is that such a person can't win in November's general election without muting his cultural liberalism and internationalism, reaffirming his party's traditional economic commitment to growth, labor, and middle-class entitlements, yet simultaneously deploring bureaucrats and special interests and donning at least a partial mask of populism and outsiderism. Dukakis couldn't handle the mix and lost. Clinton, who understood better, shaded in

these various directions and won the White House. The Republican version of this quadrennial deception is to placate the Religious Right and their social-issue allies with cultural commitments unlikely to be fulfilled, while also beating tax-revolt and nationalist drums and likewise assuming some mask of populism and outsiderism. Tsongas couldn't perform the right Democratic dance steps in 1992; the odds are that Weld probably won't be able to do the GOP waltz in 1996, either.

The bipartisan irony is that once the populist rhetoric and pretension of the campaign has subsided, most presidents of both parties govern on the elite model or close to it. Not surprisingly, they lose credibility with voters for broken promises. Bush did, and the same thing is now happening to Clinton. Back in the 1960s, George Wallace overstated by contending that there wasn't a dime's worth of difference between the parties. There most certainly is. On a penny-to-dollar scale, the "difference" can be pegged at about 30 to 45 cents. This is hardly a strict tweedle-dum/tweedle-dee situation; rather, it results from shared lackluster thinking and intermittent collusion that provides no basis for serious innovation or for purge-Washington-every-decade-or-so government. The unproductive dynamics are all too simple. Popular frustration blocks elite remedies, and the elites block populist or libertarian prescriptions.

Party Poopers

Over the last several decades, the entrenchment of Washington's political classes arguably have made the two-party system part of America's late 20th century problem and probably not part of any 21st century solution, which is a focus of my new book (*Arrogant Capital*, published by Little, Brown, and Company). My purpose here is to pursue a different point: that the present U.S. party system cannot serve as a vehicle for the wisdom, such as it is, of the U.S. political, economic, and cultural elites, or for the populist anger or reformism of the masses. What the current system now produces

under either party is shift, back-stage bipartisanship and failed presidencies. Ronald Reagan was a partial exception, but both major opportunities of which he took advantage in the early 1980s—to proclaim "Morning Again in America" and to do so on a credit card—have been used up.

Scoffers will dispute the notion that the U.S. elites lack the political wherewithal to get their way. To be sure, they have enormous access to the media. And, yes, in this era of semi-corrupt politics, the hard and soft dollars of their campaign contributions buy massive influence in the executive and legislative branches alike. Their lobbyists throng Washington, winning quiet favors through obscure regulations or legislative amendments. However, with so much cynicism and frustration abroad in the land, both major parties, each standing for so little that excites public loyalty, are obliged to heed America's swing electorate of angry and suspicious independents. Furthermore, while both parties rely on powerful elites, they also rely on powerful anti-elites. These anti-elites are not comfortable with pin-striped Gucci centrism, and this is where much of the 30-45 cents worth of party difference originates.

Take the Democratic Party. Its economic policy is strongly influenced by anti-elite blue-collar workers, farmers, pensioners, critics of business and finance, and those ordinary folk who support rapid economic growth even at some risk of inflation. It's in cultural policy that the Democratic Party leans towards the views of what can fairly be called elites: the secular, nonchurchgoing intelligentsia, the glitterati of Hollywood, fashion and the arts, gays, journalists and communicators, foundation and think-tank executives, and so forth. The Republicans more or less reverse the equation. They represent the elite upper-income and business viewpoint in economic policy, but to flesh out the party coalition, on cultural issues the national GOP has to bow to social-issue conservative and Religious

Right constituencies. All of this is well known. Less attention is paid to another central truth: both parties are elite-dominated, which is why they find it so hard to represent ordinary Americans.

This overlapping of elites is where the not-a-dime's-worth-of-difference thesis deserves serious attention. Each party has well-known figures who take a moderate or centrist approach that combines relatively elite (in this case, somewhat conservative) economics with relatively elite (here somewhat liberal) cultural positions. These worthies are usually staunch internationalists, and rarely do they advocate populism. On the Republican side, the last 30 years have produced presidential ambitions in this vein from the likes of Pennsylvania Governor William Scranton (1964), New York Governor Nelson Rockefeller (1968), Representative John Anderson (1980), and now the minor wannabe crop of 1996—Weld and Senator Arlen Specter, for example. Politicians who represent a kindred mix have emerged on the Democratic side, too, and it is no ideological coincidence that some of the most prominent were once Republicans or came from Republican families: Massachusetts' Tsongas, Senator Bob Kerrey of Nebraska, White House chief of staff and former Congressman Leon Panetta, New Jersey Senator Bill Bradley, and even ex-Colorado Senator Gary Hart.

We should consider why this brand of Democrat hasn't been any more successful in reaching the Oval Office than were the old moderate Republicans of 1960 to 1980. In a nutshell, their media attention exceeds their intra-party popular support. Their principal socioeconomic appeal is to upper-bracket suburbanites, college students, venture capitalists, white-collar professionals, and the financial community—instead of core Democratic voters interested in bread-and-butter economic growth and distribution issues. Economically, they verge on crypto-Republicanism; this kind of New Democrat would rather meet with

money managers or central bankers than with labor leaders (which, of course, isn't as "new" as it seems). At the same time, liberal leanings on culture and lifestyle issues make these politicians much less interested than the average Republican officeholder in upholding the fiscal and cultural interests of run-of-the-mill suburban constituencies. Indeed, fiscal new Democrats, epitomized by Tsongas and Kerrey, are particularly likely to deplore federal "pandering" to the middle class and to blame the middle class and its federal benefits programs for the nation's problems.

This fiscal revisionism hasn't exactly been a road to the White House. Hart didn't pan out in 1984; neither did Dukakis four years later. Dukakis, who didn't want to use the term "country club" as a pejorative, insisted the election was about competence, not ideology. (He also came from a Republican family.) Then in 1992, Kerrey and Tsongas both miscarried with their early-stage, blame-the-middle-class themes. Tsongas did well in New England, with its tradition of puritanism and guilt, but as the campaign moved south and west, toward heavy industry, minorities, farmers, and pensioners, the Tsongas vote shrank with the ratio of Volvos and home delivery of the *New York Times*. By the Maryland, Florida, and Illinois primaries, Tsongas support shriveled towards a small affluent core. Clinton tapped the dominant Democratic anti-elite by lauding the middle class, defending pensioners and entitlements, and reiterating his attacks on the rich.

In 1996, Tsongas will not run against Clinton, but Kerrey might; if he does, it will be an interesting campaign. As a Medal of Honor winner in Vietnam, Kerrey could spotlight Clinton's foreign policy weakness. He might also run to Clinton's right on other issues, such as health care, on which he's already done an about-face. The centerpiece of Kerrey's 1992 presidential bid was a national health insurance plan that was to the left of Clinton's. Though his plan included a 5 percent payroll tax with no phase-in or exclusions, he now opposes

Senator George Mitchell's delayed, contingent, 50 percent employer mandate, which excludes small firms.

Kerrey's weakness is his mix of neo-Republican economics and scapegoating of middle-class benefits. Recent reports also have had him getting his tax policy advice from billionaire investor Warren Buffett. Unless Clinton is a political basket case by 1996, the outline of a primary counterattack against a Kerrey candidacy is obvious. Although the president no longer has the credibility with the middle class that he enjoyed in 1992, he should be able to rally the majority of the Democratic electorate that responds to anti-elite economics.

If the prospect of an openly elite-oriented Democrat winning the White House in 1996 on a platform of ending Social Security as we know it is slim, the prospect of one of their GOP cousins gaining the Republican nomination is even thinner. Here the elite that rank-and-file voters reject is cultural. Weld is already changing some of his colors and re-attuning his 1994 Massachusetts reelection campaign to Catholic big-city swing Democrats, but it's hard to see his nomination playing west of Williamstown and Great Barrington. Weld's place on the national ticket probably depends on an acceptable GOP presidential nominee following in the footsteps of William McKinley and Richard Nixon by choosing a Cabot Lodge or Teddy Roosevelt-like running mate.

Weld's maneuvers also speak volumes about the unacceptability of politicians with libertarian leanings as nominees in either of the major parties. True, both sides have an overlap with part of the libertarian viewpoint. Reagan-type Republicans have broad streaks of what could be called Marlboro Man libertarianism: cap taxes and roll back government so that its regulations and taxes don't get in the way of ranchers, loggers, miners, and other entrepreneurs. But such Republicans, unlike full-menu libertarians, often favor government involvement in promoting defense in-

dustries, conservative morality, and religion in the schools. Liberal Democrats, in turn, have elements of what could be called Marijuana Man libertarianism: free up morality, grow what you want, and keep government out of the bedroom. But such liberals generally favor an activist government in other areas from affirmative action to stronger enforcement of environmental laws and regulations and higher taxes. The result is that each party can take a flavoring of libertarian thinking in a nominee, but no more. Across-the-board libertarianism is anathema to central constituencies.

Harvard man Weld, for example, captured favor in elite circles with a libertarian mix that blended tolerance on social issues with an Old Money investment banker's enthusiasm for reductions in estate and capital gains taxes. The power of the Religious Right in the GOP all but rules out any such 1996 candidate profile.

Moderate Variations

Former New Hampshire Senator Warren Rudman, who also blends social liberalism and fiscal conservatism, has tried to organize moderate Republicans to stymie the Religious Right. In 1992 he suggested that if the deficit were not brought under control there would soon be a new party. Probably not, because the issue is losing oomph.

But a broader new movement to limit government could come in three flavors. The first would repackage Perot centrism: tough on fiscal policy, fairly liberal on social issues, nationalist rather than internationalist, and populist on questions like town meetings and national referendums. The second would be the bipartisan elite version: liberal on social issues, budget-minded with a preference for sandblasting middle-class entitlements, internationalist and skeptical of populist mechanisms. If Tsongas and Rudman, who do bipartisan speeches together, formed a new party together, they would take this second option, although their mixture would probably not do as well as Perot's. Indeed, a Tsong-

gas-Rudman ticket might well draw no more than the 7 percent that rallied around John Anderson's 1980 campaign, likewise maximizing in the Volvo and high-tech suburbs from Portland, Oregon to Portland, Maine, with detours to include university towns and upper-bracket playgrounds from Aspen to Nantucket. A third possibility for defunding big government would have a Pat Buchanan-type coloration and display the trappings of cultural war, America First nationalism, and various populist ideas.

So many varieties exist because so many of these viewpoints now find little real voice. This suggests a valid concern: the present party system fails not only to provide any effective public showcase for a bipartisan elite viewpoint, but also to offer any platform for serious libertarianism or populism because of the enormous private influence of the elites. Politicos like Perot and Buchanan, with their nationalism, culture wars, anti-Washington crusades, and support for bypassing the elites and going to the people are anathema to the establishments of both parties. So are the left-populist insurgencies of Jesse Jackson, Ralph Nader, and Jerry Brown. Even a more sophisticated version of populist or reformist insurgency may have to go outside the Republican-Democratic framework.

Which helps explain why the party system so shaky. America's bipartisan centrist elites are frustrated, and legitimately, at how neither party can showcase their ideas because of seething populism and the role of anti-elites within both parties. The bipartisan centrists find themselves obliged to use bipartisan commissions or summits to pursue policies that they presumably would prefer to press directly with the electorate. Unfortunately (and undemocratically), these mechanisms are designed to suspend the ordinary rules and retributions of politics to let the elites in both parties team up to recommend and often enact measures that have little public support.

Prior examples range from the Greenspan Commission's 1983 insistence on major Social Security tax increases to the early 1990s deal between the parties to raise congressional salaries with as much camouflage as possible. The Bipartisan Commission on Entitlements, chaired by Kerrey, is the latest in this long line. Those who give it bipartisan cheer and a steady flow of memos see it as a way to make the middle class pay for deficit reduction with entitlement cuts, consumption taxes, and spending cuts, while promoting tax changes friendly to investors—in short, more self-serving policy-making by the upper bracket.

No wonder voters think that the interests of ordinary Americans are not represented in Washington. Their economic interests certainly aren't. Whenever bipartisan elites meet backstage in Washington, they are usually seeking to sidestep public opinion, not uphold it. Critics of Rush Limbaugh should broaden their concern. Precious few talk-show hosts can match the effect of senior members of our two-party system in breeding national cynicism.

A second related failure of this party system is the bipartisan need to pander. George Bush and Bill Clinton, while miles apart in their socioeconomic and ideological origins, reached the White House the same way: by promising the American people they would do things either that they never intended to do or that required populist battles for which they lacked the stomach. How could such governance not breed widespread popular contempt?

In 1988 and thereafter during the Bush administration, and in 1992 and then during the Clinton administration, the U.S. electorate has seen these shortcomings dominate each party in turn. Small wonder that voters are beginning to wonder about how well the two-party system serves the public interest. It is a debate that is likely to grow in 1995-96 as we watch what is rapidly becoming the saddest spectacle in American democracy: how so few, if any, of our Republican and Democratic wannabes are also oughtabes. ♦

Is the American Economic Model the Answer?

Jeff Faux

Not too many years ago, the conventional wisdom was that Europe and Japan did it all right, and the United States did it all wrong. And everything that could be learned, we could learn from them, and indeed, they had nothing to learn from us. Now, the new conventional wisdom is just the opposite; we're doing everything right, and Europe and Japan are doing everything wrong. Neither of those positions is correct.

—Secretary of Labor Robert Reich,
Detroit Jobs Conference, March 14, 1994.

The economic elites of most advanced nations now believe that the United States offers the best model for competing in the new global economy. As commonly formulated, the argument holds that, compared with Europe, the United States has:

■ *Created more jobs.* Thus, according to a recent commentary in the *Washington Post*:

The record is unmistakably clear. Since 1970 the U.S. economy has generated 41 million new jobs. . . . By contrast, the European Union—the new name for the European Community—has created 8 million new jobs since 1970. With a population nearly a third larger than ours, it has generated only 20 percent of the jobs. Its unemployment rate is 11 percent, up from 3 percent in 1970.

■ *Lowered labor costs.* According to the *New York Times*, the United States is now the “low-cost provider of many sophisticated products and services from plastics to software to financial services.”

■ *Restructured its firms*, which are now expanding world market shares. As another article in the *Times* recently put it:

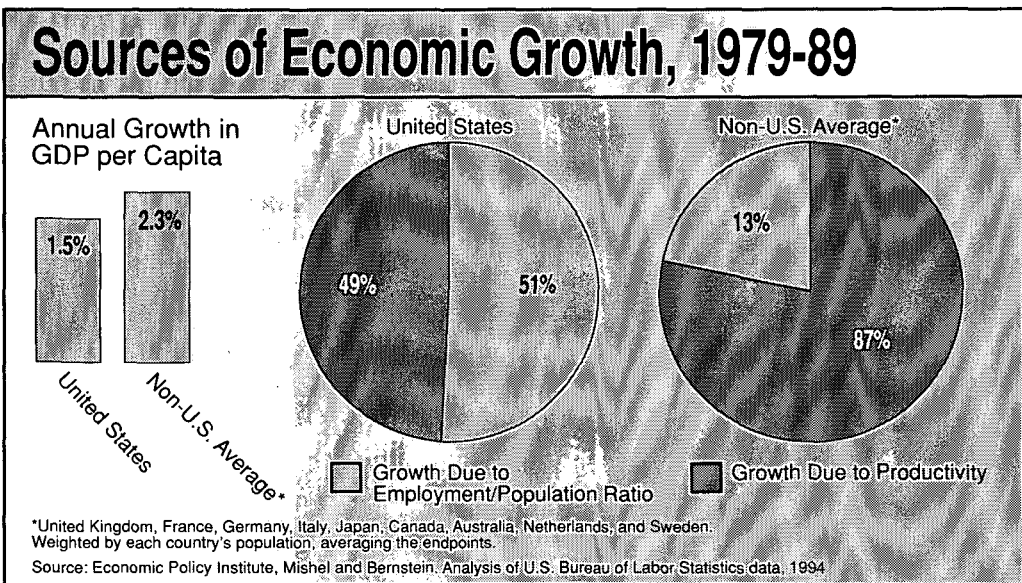
After more than a decade of painful change and dislocation, many American industries are leaner and nimbler, and others have seized the leadership of the sophisticated technologies that are ushering in the information age.

These claims are commonly offered as proof that the “American model”—deregulation, weak unions, and a minimalist welfare state—offers an exemplary competitiveness strategy for surviving in the global economy. Not surprisingly, this was the preferred model of the policy, business, and media elites who frame the discussion. Supposedly, the sooner Europe accepts the American way, the better off it will be.

But competitiveness, American-style, is the wrong goal. The right goal is high, rising, and broadly diffused living standards. And even on its own terms, the series of claims about American economic success is not supported by the evidence.

A Closer Look at Job Creation

It was during the Reagan years, of course, that deregulation took hold, business was encouraged to attack unions, and



the social safety net was shredded. However, the record of job and economic growth during that period leaves one less than breathless about the American model. The graph above, based on calculations by Larry Mishel and Jared Bernstein of the Economic Policy Institute (EPI), shows that U.S. per capita GDP growth averaged 1.5 percent from 1979-89 (the business cycle peak-to-peak period), compared with 2.3 percent for eight other leading economies for which comparable data are available. Moreover, Mishel and Bernstein decompose the data to show the share of growth resulting from increases in productivity and changes in the ratio of employment to population. The share of U.S. growth attributable to productivity was the lowest of any of the other nations, save one. Thus not only was U.S. growth in the 1980s below average; it depended much more on an increase in the proportion of its population that chose, or was forced, to go to work.

U.S. job growth during the 1980s was high relative to other nations—although lower than that of Canada and Australia, which are in general more regulated, have higher rates of unionization, and have more generous welfare states. As the table on the next page shows, the growth of jobs relative to the population in the United States was respectable but hardly spectacular. And it

certainly does not justify the conclusion that the American economy is uniquely structured to create jobs.

Alone among the advanced nations, real wages of production workers in the United States fell from 1979 to 1989. As Bill Clinton said during the 1992 campaign, Americans were working “harder for less.” At the same time, we had the Reagan/Bush deficits, which clearly were a major engine of job growth through the decade. Thus, to achieve the growth in jobs that it did, the United States had to lower the living standards for the majority of its people and quadruple its debt. This record does not support the simple-minded notion—constantly repeated and amplified by politicians and the press—that the deregulated U.S. economy outperformed the rest of the industrial nations and should therefore be the model for the coming decade. Moreover, when the U.S. welfare state was at its most expansive during the business cycle of the 1970s, American job growth was even better compared to Europe than during the cycle of the 1980s.

After 1989, the U.S. economy turned downward. During the next three years, real wages for production workers continued to decline. Deficits in 1990, 1991, and 1992 rose to 4.0, 4.8, and 4.9 percent of gross domestic product (GDP), respectively. Inas-

Is The U.S. Creating Jobs?

Contributions to Employment Growth in Ten Countries, 1979-1989 (annual rates of change)

	Total Employment Growth	Growth Contribution of Population	Growth Contribution of Employment to Population Ratio
United Kingdom	0.57	0.18	0.39
France	0.07	0.51	-0.44
Germany	0.64	0.11	0.53
Italy	0.41	0.22	0.20
Japan	1.13	0.61	0.52
Canada	1.83	0.99	0.84
Australia	2.35	1.46	0.88
Netherlands	1.26	0.56	0.70
Sweden	0.84	0.24	0.60
United States	1.72	1.00	0.72
Non-US Wtd Avg*	0.83	0.45	0.37

*Weighted by each country's population, averaging the endpoints.

Source: Economic Policy Institute, Mishel and Bernstein. Analysis of U.S. Bureau of Labor Statistics data, 1994.

much as employment was stagnant over the long recession in the United States, job growth during this period certainly does not provide much evidence to support the superiority of the American model.

This brings us to 1993—the remaining year left for making the case. The federal deficit was reduced, interest rates fell, and the government contribution to the economy shrunk. Even in 1993, however, the first two quarters were quite sluggish—GDP grew at 0.8 and 1.9 percent.

This narrows the case down to the last two quarters of 1993, in which growth accelerated smartly. This was certainly a good performance, but it was not out of line with previous recoveries. In fact, if current job growth was as robust as the average for previous recoveries, the United States would have another three to four million

jobs. Thus, the celebrated case for the American model rests primarily on the evidence of two quarters of elevated growth in a recovery that otherwise has been somewhat anemic.

But if the U.S. economic record has been unimpressive, hasn't the European record—particularly in employment—been even worse? According to the conventional wisdom, Europe's currently higher unemployment rates stem largely from stronger labor unions and more generous social benefits that deter flexibility and discourage work. But there is little evidence to support this argument. First, the current disparity in unemployment between Europe and America reflects different stages of the business cycle; Europe has been in recession, while the United

States has been in recovery for three years. Second, European-style labor organization and social benefits have not prevented Canada and Australia from outperforming the United States in job growth. Third, the Europeans in the 1980s achieved higher levels of productivity growth than did the United States. Although the full explanation is undoubtedly complex, the observable facts suggest that higher European unemployment rates are largely the result of the macroeconomic rigidities of the German Central Bank, whose tight money policies have held Europe's job needs hostage to its inflation phobias.

Shrinking Real Earnings

The press often treats the downward pressure on living standards as if it were a mysterious phenomenon independent of

the improved "competitiveness" of U.S. business, but few serious advocates of the American model would deny that lower labor costs are now reflected in economic and social pain among people who work. Nor is there much doubt that lower levels of real wages and benefits, drastic corporate downsizing and jobs-shedding, and a dozen years of efforts to undercut labor unions have been the major causes.

The pattern is by now familiar. The decline of real wages has put the squeeze on family incomes, accelerating the entry of married women into the work force and the rise of the number of people working at more than one job. Employers have expanded temporary and contingent jobs at the expense of full-time workers, reducing the cost of fringe benefits and making it harder for unions to organize. Meanwhile, full-time workers have seen their work day stretched out. Among workers in non-union firms, it is not uncommon for much of this "overtime" to be off the clock and therefore unpaid. In the lower and middle reaches of the white-collar world, many American workers report that the 50-hour week has become a standard.

Less familiar is the breadth of the earnings deterioration. The greatest losses are hitting the less educated, the younger, the non-whites, and the males. (Women's real hourly wages for those at the median level or above grew during the 1980s but from a much lower base, and the "gender" gap in wages remains substantial.) But the tide of job stress has been climbing up the educational pyramid; since 1987, real hourly earnings of male U.S. college graduates have been falling as well.

Corporate downsizing has struck both blue- and white-collar America with a vengeance. According to Professor Kim Cameron of the University of Michigan School of Business Administration, 85 percent of Fortune 500 companies have downsized over the last five years and 100 percent are planning to downsize over the next five years. Yet the evidence to date is that firing workers and forcing those who

are left to work harder does not usually make the company better off. At least three surveys, each covering more than 1,000 firms, found one-half to three-quarters with lower productivity after downsizing.

Benign Restructuring?

Promoters of the American model sometimes argue that we should not expect the deregulation of the late 1970s and early 1980s to produce results in time to be adequately measured over the business cycle of the 1980s. So they cite the relative reduction in U.S. labor costs in manufacturing that occurred from the mid-1980s on as a proxy for improved U.S. competitiveness. Typically, this is presented in terms of U.S. dollars, since in the marketplace, competitive advantage includes the effects of currency fluctuations. But the improved performance resulting from the drop in the dollar during the last half of the 1980s is hardly a measure of returning economic strength. When the numbers are adjusted for currency movements, the U.S. advantage shrinks drastically, and, vis-a-vis our major competitiveness problem, Japan, it disappears.

Overall U.S. business productivity growth actually decelerated after 1985, averaging less than 1 percent per year through 1991. In 1992, productivity rose 3.3 percent but then turned negative in the first two quarters of 1993. Again, as with the job growth argument, this rests the productivity case for the American model on the narrow evidence of the second half of 1993.

Inasmuch as the numbers are not convincing, many enthusiasts of the American model cite anecdotal evidence: the reversal of fortune of some U.S. firms that now claim to be expanding their market shares, not simply on the basis of lower labor costs but by virtue of having "reinvented" the corporation. According to this argument, U.S. management, relatively unfettered by union rules and social restraints, has reengineered its firms to make them more efficient and better able to cope with the accelerated pace of change and intense competition of the new global marketplace.

Much of this claim is overblown, filled with the self-congratulatory hot air that diffuses through the pages of business magazines to comfort a readership anxious to be reassured that its profits do not represent a taking from society but a giving of just rewards. The vast majority of U.S. firms that have "come back" are doing so by squeezing wages, outsourcing to Mexico and other Third World countries, and forcing longer hours on their workers. There is no need for fancy explanations to understand what is going on in most of them.

Yet there is some evidence of a more benign movement to reshape U.S. firms that can empower workers and enhance job satisfaction, notwithstanding the dangers of employee manipulation that may be involved. Indeed, the greater flexibility of American managers may have enabled them to move faster in this direction than managers in Europe. Eileen Appelbaum of EPI has surveyed so-called high-performance workplaces in a number of U.S. firms and has identified cases where genuine downward redistribution of power and authority has taken place as a result of management initiatives in both union and non-union settings.

But as she has also discovered, other aspects of the American model work against this kind of transformation. The tyranny of the financial markets' short-term outlook is a critical impediment. Rather than reward firms for the improved worker-management relations that a high-performance workplace requires, Wall Street investors put a premium on ruthless labor policies that they take as signals of management's dedication to efficiency. Indeed, some U.S. firms that had launched pioneering efforts to create empowering workplaces in partnership with unions have recently reversed themselves to accommodate investors, despite hard evidence of long-term success.

Appelbaum has also found that the transformation of the workplace requires a large up-front investment in training that most firms, obsessed with the next

quarter's net earnings, are not willing to make. In America, training employed workers is seen almost exclusively as a private responsibility; little public money is available to defray the costs. During his campaign, President Clinton proposed a French-style program in which a small payroll tax would be levied on corporations and then forgiven to the extent that the firms establish a qualified training program. But the proposal has been shelved because of business opposition.

Another impediment to the transformation of the workplace is the high mobility of American workers. Firms that invest in training risk seeing those investments captured by other firms that can afford to pay higher wages precisely because they have not paid for training. A low-wage, contingent-work labor market discourages loyalty to the firm even more.

The Clinton Variation

Is the Clinton administration willing—or able—to revise the American model? Its domestic efforts are encouraging, but they are hobbled by a perceived shortage of funds and a reluctance to address the deeper issues posed by global economic deregulation.

The administration, happily, is trying to move America away from the model's worst aspects—mindless deregulation, hostility toward unions, and minimalist government. In a sense, Clinton is trying to respond to the failure of the Reagan/Bush policies with a minimum challenge to business ideology. Unlike his immediate predecessors, the president and most of his economic advisors acknowledge the basic principles of Macroeconomics 101. They came into office proposing a fiscal stimulus, led by public investment. When that effort failed in the Congress, Clinton shifted to a "second-best" monetary stimulus. The White House agreed to spending cuts and tax increases to reduce the deficit on the understanding that the Federal Reserve Board would accommodate lower long-term interest rates. The Treasury Depart-

ment helped by shifting its financing of the deficit away from long-term bonds, which raised their prices and lowered their yields. The policy was successful, generating good growth in the second half of 1993 that was led by interest-sensitive industries such as housing and consumer durables. But the Federal Reserve has put us on notice that it has no intention of allowing the economy to reach full employment.

There is also good news in the Clinton administration's open acknowledgement that the government has a responsibility for reducing structural unemployment. The administration has initiated the beginnings of a civilian industrial policy, which includes more support for research and development and discussions with specific industries on ways in which the government can help get new ideas to market. It is also setting up regional industrial "extension services" for the diffusion of technology to small- and medium-sized businesses—an approach inspired by the agricultural extension services that have long helped to raise agricultural productivity in the United States. On the human capital side, Labor Secretary Reich has been given a modest budget increase to expand and reorganize the federal government's training and labor market services. Extra help will go to dislocated older workers and a welcome expansion of vocational programs aimed at young people who do not go on to college. And there are the stirrings in Reich's department of the first serious federal effort to nurture programs of worker empowerment at the job site.

The bad news is that these efforts are too small scale, in both size and conception, to deal with the problems of structural unemployment. The administration's budgetary commitment to the adjustment and public investment programs falls short of the minimum needed to support its trade expansion agenda. Instead of investing more in human and physical infrastructure, the administration and Congress have agreed to a five-year

budget plan that will leave the United States even further behind; the share of the GDP devoted to domestic public investments will actually decline.

Unwilling or unable to buck the deficit hawks or to force more cuts on the military, Clinton does not have the money for the investments his strategy requires. All he has left is the "cut and spend" tactic of chipping away small sums from some programs to shift to others, along with yet another variant of the hoary proposition that bringing business methods to government will somehow convince voters that the public sector will become more efficient, and therefore more loved. Some of this reordering of priorities and reorganization of agencies makes sense (although after 12 years of Reagan and Bush there is not a great deal of fat left in the domestic budget). The savings will be small, however, and the president will need to become embroiled in battles with Congress even to obtain those limited resources. A telling example is Clinton's stripped-down welfare reform proposal, which could throw more people onto the low-wage labor market and leave millions of poor people economically worse off.

Bill Clinton's sentiments toward the working middle class and the poor are clearly warmer than were those of Bush. And it is a relief to have people in government who want to improve programs and can draw on a dozen years of experiments at the state and community level. America is replete with examples of projects that have worked and people who know how to run them. But the money is too scarce for much more than small-scale activities. At best, this is so far a pilot program presidency. How much difference will it make? The distinction between a government that doesn't care and a government that cares but cannot find the money is likely to be lost on people whose financial lives, and personal lives as well, may be in tatters.

A further piece of bad news is that while Clinton is moderately interventionist in his domestic initiatives, he does not follow the same approach to global economics. In

embracing the North American Free Trade Agreement and General Agreement on Tariffs and Trade with only minimal attention to global standards, the administration tries to square the economic circle by yoking economic management at home to global *laissez faire*.

Beyond Pain Allocation

Both the American model of low wages and high employment and the European model of high wages and low employment are ways of allocating pain—the pain of adjustment to the brutally competitive new global economy. In the predominant view, only free trade and deregulation can generate a prosperous equilibrium. Thus, it is said, if we take the punishment now, squeeze out “excessive” wages and benefits, liquidate debt, and reduce the burden of social welfare, our companies will become leaner and meaner, move ahead of other nations, and ultimately enlarge market share and restore prosperity. This is neo-liberal folly at its most destructive.

None of those who confidently jabber on about the long-term benefits of short-term pain can answer the critical question: How long will it take? For example, economic theory, as well as common sense, tells us that when low-wage and high-wage workers are thrown into competition in the same markets with similar capital equipment, their wages will tend to converge. But the gaps are so large that the process extends far beyond the practical time horizon of economic policy. To give one example: if Mexican real wages were to grow at 4 percent per year and U.S. wages were to stagnate, it would take almost 50 years for them to equalize and, presumably, at that point for both to begin to rise together.

Although the circumstances are quite different, the current conventional wisdom is eerily reminiscent of the economic discourse of the 1930s. Economists justified a stubborn insistence on balancing public budgets in the face of large-scale unemployment on the grounds that the world had to rely on market forces to “restructure”

its way out of the Depression. The economist Alvin Hansen—later a prominent Keynesian—expressed the consensus in 1932 when he wrote: “We shall come out of it only through hard work and readjustments that are painful. There is no other alternative.”

But, of course, the world did not wait for market-driven restructuring. Before the forces of supply and demand could drive incomes and prices low enough to spark a revival of investment, the political reaction to economic pain set in motion the most destructive war in history. As we all know, the unemployment problems of the 1930s were solved not by market forces but by government spending that was the exact opposite of the tight fiscal strategy advocated by the economic policy intellectuals of the time.

The internal economic debates in most of the advanced nations are today driven by the question, how do we compete in this new global economy? But the verb “to compete” lends itself to many interpretations. For example, balanced trade can be achieved with high levels of unemployment. Market share in individual industries can be maintained by constantly lowering wages. And a nation can often compensate for the unattractiveness of its goods by permitting its currency value to sink. Moreover, although international trade volumes are growing more rapidly than output, the majority of what most advanced industrial nations produce is still for their own domestic market. Among the member nations of the Organization of Economic Cooperation and Development (OECD), the share of GDP represented by imports is only 7 percent in Europe, 8 percent in Japan, and just 11 percent in the United States.

We should be asking ourselves a more pertinent question: How do we achieve full employment with rising real incomes? The difference between the two questions is critical. If the primary goal is to compete, European labor market systems, which support higher wages and a shorter work week, will be seen as an obstacle to reducing

labor costs. But if the point is to raise incomes, such systems may well be necessary. The U.S. model requires more people to work longer hours to maintain family incomes. It's not clear that it makes a superior contribution to human happiness and social stability compared to a European economic model in which family incomes are maintained by fewer people working less.

Indeed, it is largely a waste of time to continue pondering the so-called "trade-offs" between high-unemployment/high-wage strategies and low-unemployment/low-wage strategies. The more important issue is how to create an international economic environment that can support a high-wage path to accelerated job creation, which would give individuals the freedom to make tradeoffs between hours of work and leisure.

The advanced industrial nations not only have problems in common; their solutions must also, to some extent, be common. In the new competitive environment, there is a limit to the ability of any one nation—even one as large as the United States—to carry out policies to raise living standards at home unless other nations are taking similar steps. The challenge is to move from "beggar-thy-neighbor" policies, in which living standards are progressively sacrificed to the goal of competitiveness, to a cooperative effort in which competition serves to raise standards everywhere.

This challenge raises a question that is mostly off the table: How will the global economy be managed? The neoliberal answer is to leave it to the market. But that answer was rejected after it failed in the 1930s. After World War II, the industrial world could not have avoided the fate that befell it after World War I without a strong government hand to regulate national economies and a strong United States to regulate the global one.

That era is over. The vacuum left by the shrinking power of the United States has been partially filled by a global financial casino increasingly driven by competition for short-term profits. The effect has been to

make it virtually impossible to create full employment in most advanced nations. Long before the limits of growth are reached, the demand for labor gets choked off by central banks that raise interest rates to discourage hypersensitive investors from transferring their hot money elsewhere.

There are many paths a market economy can take to prosperity; the search for a single model is an exercise in ideology, not economic policy. The much more pressing task is to reinvent the global economy, eliminating the conditions that prevent every nation from achieving full employment at rising wages. The priority items on this agenda include:

- an agreement to dampen global financial speculation, including the imposition of an international security transfer tax as suggested by the economist James Tobin;
- a strategy to synchronize advanced nations' macroeconomic policies;
- relief for the debt burdens that still plague too many developing nations and an end to demands by the World Bank and other financial institutions that developing nations follow destructive export-led growth strategies as conditions for aid;
- an international bill of worker and environmental rights as a requirement for any nation wanting to participate in world trade and financial markets.

As a first step, the leaders of other countries should scrutinize more carefully the idea that their economies could prosper if only they were to adopt the American model to suppress labor costs. They need to take a closer look at what is happening here. A lot of ordinary Americans could give them an earful. In a recent article on low-wage jobs, the *New York Times* interviewed a husband and wife who had two jobs apiece that earned them a total of \$18,000 a year. When told by the reporter that the booming U.S. economy was now generating jobs at the rate of almost two million a year, the husband responded: "Sure, we've got four of them. So what?" ♦

Reviving Community Development

Ed Schwartz

Despite the array of programs developed since the 1960s to help the inner city, federal policy has largely failed to devise a strategy that both helps poor people and poor places. Urban renewal in the 1950s "revived" slum neighborhoods with bulldozers, transforming them into upscale apartment complexes. Likewise in the 1980s, shopping centers like Boston's Quincy Market and the Gallery in Philadelphia may have created a downtown retail renaissance—but not an economic revival of poor neighborhoods for the people who live in them.

Not surprisingly, one response to this failure has been to abandon the idea of rehabilitating inner cities. In a *New York Times Magazine* cover story, "The Myth of Community Development," published last January, Nicholas Lemann, author of *The Promised Land*, suggested that rather than attempting yet again to uplift ghetto neighborhoods, risking another cycle of failure and public cynicism, government should concentrate on improving the standard of living of the poor. "Attempts at economic revitalization often take the place of other efforts that would do much more good," Lemann wrote. Instead, he said, government should "simply to provide for poor people's material needs, through cash grants, vouchers like food stamps and services like Medicaid." (See "Lemann Aid," page 84.)

Must we really give up on poor communities in order to help poor people? Is it realistic to urge, as Lemann does, that we "simply provide for poor people's material needs?" If there is one policy less popular with middle class voters than urban economic development, it is a policy of handouts.

We cannot simply write off poor communities, and we shouldn't when there are reasons for cautious optimism. Despite a climate of fiscal scarcity, the Clinton administration's brand of community development could actually succeed where past efforts failed.

The context for Lemann's critique was the Clinton administration's urban initiative, known as Empowerment Zones. While its funding is anemic, the approach is encouraging, for the program could at last bring coherence to policies of economic uplift for inner-city neighborhoods.

Community redevelopment as it now exists is a bureaucratic nightmare. Federal agencies administering programs for the poor work in near-total isolation from one another. The Department of Housing and Urban Development (HUD) sponsors such

programs as the Community Development Block Grant (CDBG), housing subsidies, and aid to the homeless. Three other cabinet agencies—the departments of Labor, Education, and Health and Human Services—help poor people enter the labor market by training them, educating their children, and strengthening their families. The Small Business Administration and targeted minority business programs run by the Commerce Department—marginalized during the Reagan/Bush years—have yet to make a real comeback under Clinton.

Because these agencies rarely work together, their programs cannot reinforce one another. Some residents receive fragmented subsidies, but the ghetto remains a ghetto: beset by dilapidated housing, high crime, and a population unprepared for the jobs in today's labor market that would pay a living wage.

A Philadelphia Story

I speak from personal experience. From 1987 to 1992, as Philadelphia's director of Housing and Community Development, I administered the Community Development Block Grant and the various housing programs associated with it. During this period, our office oversaw the rehabilitation of roughly 4,000 homes and apartments for the poor, mostly in inner-city neighborhoods. These projects attracted more than \$95 million in financing that represented the biggest infusion of private capital in these neighborhoods from any source.

But since funds from the federal government for job training were routed through the state government to the Philadelphia Private Industry Council (PIC), and most social service funds went directly to private non-profit agencies, coordination was impossible. Nor was it possible to integrate even the limited business services provided by the Commerce Department under the Bush administration into community development initiatives that we supported with block grants. Even our efforts simply to inform citizens about other programs

were frustrated: when we started providing information about job training, the Inspector General from HUD chastised us for creating a "duplication of services."

Instead of leading to consolidation and coherence, scarcity of funds paradoxically has created more duplication. When the federal government scaled back its poverty programs in the Reagan era, local agencies began poaching on each other's turf. For example, as city agencies working to promote industrial and commercial development saw their funds dry up, they sought out the next available resource: the community development block grants that community development corporations and housing agencies like mine relied on. The sad result of this was constant conflict among agencies purportedly working toward the same general goal.

The result has been lost opportunity in every direction. Consider the following situation that developed between Philadelphia's Office of Housing and Community Development (OHCD) and our Private Industry Council over the past year. A major goal of the city's housing programs has been to encourage contractors to hire

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local residents in neighborhood rehabilitation projects. In response, the contractors complain that they can't find qualified people to do the work. So last year, OHCD made \$300,000 available to the PIC to establish a special training program to produce a pool of qualified neighborhood workers.

One year later, the funds remained unused. The PIC had so many problems in managing its primary programs under the Job Training Partnership Act and the Family Assistance Act that it could muster

neither the time nor the energy to fashion a new initiative built around an entirely different set of federal guidelines. OHCD has now retrieved its \$300,000 and is fashioning a training program of its own. Situations like this are the rule, not the exception. There are few cities in the entire country where the Community Development and Job Training offices even talk to one another, let alone work together. Since there is little coordination among diverse agencies in Washington, there is almost no relationship between them at the local level.

Some private demonstrations give a sense, in miniature, of what might be accomplished if government were serious about targeting and coordination. For example, in 1991 a local foundation, the William Penn Foundation, committed \$26 million to the improvement of 25-square blocks in North Philadelphia, where over 40 percent of the population lives in poverty. The foundation created a subsidiary, the Beech Corporation, which promotes commercial development, job training, and education. It has revived a

Lemann Aid

In his book, *The Promised Land*, Nicholas Lemann argued that the War on Poverty was lost largely because "its main program, community action, was a conceptual failure in the sense that it raised expectations about the revival of the ghettos that couldn't be met, and presumed a link between political empowerment and individual economic advancement that doesn't exist." In his *New York Times Magazine* article, Lemann said Clinton's new initiative merely perpetuated what he characterized as "the myth of community development"—namely, "the idea that the way to cure the special ills of the slums is to generate a lot of home-grown business activity there."

Empowerment Zones, Lemann insisted, will merely provide a new recipe for what used to be known as "social uplift"—encompassing "education, counseling, improvement of the housing stock, [and] crime control." The business activity would "give poor people jobs, and therefore money," as well as instill "a whole new spirit of self-reliance." Advocates of "social uplift," he maintained, have deluded themselves into believing that through neighborhood economic development, the poor "would be able to build independent com-

munities that control their own resources and destiny."

Such a strategy, Lemann said, was bound to fail. "On the whole, urban slums have never been home to many businesses," he concluded, "except for sweatshops and minor neighborhood provisioners. The slums are usually near downtown, and the residents, when they can find work, have usually found it downtown. . . . The standard model of progress for poor people living in urban slums, repeated millions of times over the decades, is to get a good job outside the neighborhood and then decamp for a nicer part of town."

In this one brief passage, representing the crux of his argument, Lemann simultaneously misrepresented both the economy of the inner-city and the broad strategies proposed under the Empowerment Zone program to deal with it. For example, the area that the Rendell administration has crafted for Philadelphia's zone encompasses much of what remains of the city's unionized manufacturing base, as well as Temple University, Episcopal Hospital, and a broad array of social service agencies—along with the admittedly "minor neighborhood provisioners" that one would expect from an area with a poverty rate of over 50 percent. Lemann ignores that these are functioning, albeit depressed, local economies. The various

local business association, and new retail stores are now occupying formerly vacant storefronts. Our office committed funds to rehabilitate more than sixty buildings. The neighborhood elementary school, the Meade School, used Beech funds to create an infant and toddler day-care center. Beech is working with Lincoln University, a local mainly African-American college, to create a job training center for the area. More than 50 local community-based organizations have participated in these efforts, and there is the sense of a unified strategy. There is the

palpable feeling that the neighborhood is "coming back." Still, the net job creation to date has been only modest and a great deal more is needed to create employment and decent housing.

Zones of Hope

The Clinton administration originally embarked upon an ambitious plan to enact a comprehensive self-sufficiency agenda for the inner city. This included urban enterprise zones for business development, targeted community development funds

financial incentives built into Empowerment Zones attempt to help these businesses expand and to entice new enterprises to join them. Given that over one-third of the residents of this area work within a 15 minute radius of their homes, according to the 1990 census, it is wrong to insist that their only economic hope is to find jobs elsewhere.

Lemann equally ignores those aspects of the Empowerment Zone program that do aim at helping individual poor people achieve opportunity. The point of providing \$100 million in Title 20 funds to each zone is precisely to support training, education, and family services that will assist residents in finding jobs locally or throughout the metropolitan area. Lemann does acknowledge that the Clinton administration wanted its employee tax credit to extend to residents wherever they found jobs—not just to businesses in the zones—but that Congress did not go along.

Presumably, the poor will always be with us, so we should just rally 'round the welfare system. Lemann's alternative to Empowerment Zones—"to simply provide for poor people's material needs, through cash grants, vouchers like food stamps and services like Medicaid"—offers neither self-sufficiency nor political realism.

Had he not been so intent on debunking the potential pitfalls of Empowerment

Zones, Lemann might have seen a kindred spirit.

Consider the following: "The government should be trying to break the hold on individuals of those aspects of the ghetto culture that work against upward mobility, by providing a constant, powerful force that encourages the people of the ghettos to consider themselves part of the social structure of the country as a whole." As a first step, we need to replace "the rather casual official attitude toward street crime" in the inner-city with plans to "put police officers back on the streets and [have] criminals quickly punished." Welfare should "become a temporary program leading to a job." Housing projects should "begin screening tenants again, and kicking out the bad ones." In education, we should "try to improve the chances that every ghetto child is born healthy, learns to read and write in elementary school, graduates from high school, gets trained for the job market as it now exists, puts off parenthood until he or she can manage a family, and has a job waiting at the end of the process."

I am not quoting from Bill Clinton's collected speeches. The passage is from *The Promised Land*. If you and I can see the remarkable similarity between this program and the president's, why can't Nick Lemann?

—E.S.

and banks for neighborhood revitalization, expanded job training for welfare recipients and the unemployed, as well as "empowerment through education" for their children. But given the fiscal constraints, the slender majority in Congress, and the deep-seated skepticism echoed in Lemann's essay, the administration has had to settle for a pilot demonstration through what it now calls "empowerment zones."

Under the billion dollar pilot program outlined by the president, 65 urban and 35 rural "enterprise communities" will initially receive roughly \$1 million apiece to revitalize relatively small neighborhoods. Of these communities, the administration will choose six cities and three rural areas as empowerment zone demonstration projects for more intensive support.

In the selection of enterprise communities, effective coordination at the local level will be a key consideration. Empowerment zones combine physical revitalization and business development with education, training, and human services within a limited geographic area. Just as significantly, the Clinton administration asked cities to focus the attention of community organizations, business leaders, and social agencies on the economic potential of the Empowerment Zones, as opposed to the physical condition of its housing and infrastructure.

This new focus for community development offers the best chance in years to develop a federal strategy for the inner city that helps both the places and the people directly. At this writing, the federal government is reviewing empowerment zone proposals from cities nationwide. To enter this competition, a city had to carve out up to three non-contiguous areas with average poverty rates of at least 20 percent. In addition, half of these census tracts had to have at least 35 percent of residents with incomes below the poverty line. The city also needed to create a planning process for these areas that asked residents, public officials, business

leaders, and social service agencies to develop "a common vision of the kind of economy and job opportunities that each community's future should hold."

The winners will be announced by the end of September. Each empowerment zone then will receive additional funds from the federal government: financial incentives for business development, a tax credit for zone companies that hire local residents equal to 15 percent of each employee's salary (up to \$20,000 a year), and \$100 million in Title 20 funds from under the Human Services Administration. Because Title 20 funds are flexible, these are the resources that cities can use for basic education, job training, day care—whatever is needed to help residents succeed in today's labor market. The Clinton administration has also issued an open-ended commitment to give empowerment zones priority for additional funding from other federal agencies during the life of the program.

This is consistent with the broad recommendation of Vice President Gore's report on reinventing government, which urged Congress to allow states and localities to "consolidate separate grant programs from the bottom up."

The promise of federal largesse of this magnitude does a great deal to spring local communities into action—especially since the administration insisted that plans had to reflect extensive participation from the residents and businesses. As an example, Philadelphia and Camden, New Jersey (across the Delaware River) have teamed up to become a "two-city/two-state" empowerment zone.

From January through May, hundreds of people from the poorest neighborhoods in each city attended as many as two meetings a week to define their "vision" for this empowerment zone and their strategies to achieve it. Having been on the front lines of community development in this region for over two decades, I can safely say that never have so many produced so much in so little time. The empowerment zone planning process itself deserves much of the credit.

Will this approach work?

Of course, the funding remains meager relative to the need. And although the application process will encourage long-overdue local coordination, many of the good proposals identified in the planning process will necessarily remain unfunded. And many cities will be left out of the process, at least in its first phase. A further problem is that while the Clinton administration hopes that empowerment zones will show cities how to coordinate federal programs for the poor, the Labor Department is streamlining operations by consolidating job placement at the regional level, thus distancing them even further from the inner-city neighborhoods where the poorest people live.

The long-range challenge facing the administration is whether it will reorganize the various bureaucracies that now serve the poor to achieve the integration between housing rehabilitation, education, and job training that the empowerment zones are supposed to demonstrate. HUD, at least, is trying. Its new programs aimed at the homeless emphasize a "continuum of care," including "job training, counselling, drug, alcohol, and mental health treatment, and other services." A consolidated planning process proposed for community development funding applies the same principle on a broader scale.

Similarly, the Department of Education is building a support system of its own to help local communities achieve eight national education goals established by Congress last March under the Educate America Act. By the year 2000, according to this legislation, the country's high school graduation rate is supposed to increase to 90 percent and "every adult American will be literate and will possess the knowledge and skills necessary to compete in a global economy." To help inner-city neighborhoods meet this objective, however, the administration needs to fight for more money for inner-city schools, just as HUD's consolidated planning process is tied to en-

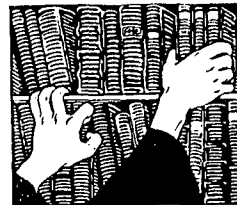
larged federal appropriations for community development.

While the funding is far too low, the Clinton administration has learned from past mistakes and identified a promising

The Empowerment Zone approach offers the best chance in years to develop a federal strategy for the inner city that helps both the places and the people directly.

approach. It is simply wrong to write these cities and neighborhoods off. Many have viable local economies that are struggling to become stronger. Targeting resources, insisting on a coordinated planning process, and integrating physical development with community education and training can make a difference. Counseling the poor to go somewhere else is misleading, for there will always be concentrations of poor people. The reality of the inner city is harsh enough without dismissing community development as a myth. ♦

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Did the U.S. Military Plan a Nuclear First Strike for 1963?

Heather A. Purcell and James K. Galbraith

During the early 1960s the intercontinental ballistic missile (ICBM) introduced the world to the possibility of instant total war. Thirty years later, no nation has yet fired any nuclear missile at a real target. Orthodox history holds that a succession of defensive nuclear doctrines and strategies—from “massive retaliation” to “mutual assured destruction”—worked, almost seamlessly, to deter Soviet aggression against the United States and to prevent the use of nuclear weapons.

The possibility of U.S. aggression in nuclear conflict is seldom considered. And why should it be? Virtually nothing in the public record suggests that high U.S. authorities ever contemplated a first strike against the Soviet Union, except in response to a Soviet invasion of Western Europe, or that they doubted the deterrent power of Soviet nuclear forces. The main documented exception was the Air Force Chief of Staff in the early 1960s, Curtis LeMay, a seemingly idiosyncratic case.

But beginning in 1957 the U.S. military did prepare plans for a preemptive nuclear strike against the U.S.S.R., based on our growing lead in land-based missiles. And top military and intelligence leaders presented an assessment of those plans to President John F. Kennedy in July of 1961. At that time, some high Air Force and CIA leaders apparently believed that a window of outright ballistic missile superiority, perhaps sufficient for a successful first strike, would be open in late 1963.

The document reproduced opposite is published here for the first time. It describes a meeting of the National Security Council on July 20, 1961. At that meeting, the document shows, the chairman of the Joint Chiefs of Staff, the director of the CIA, and others presented plans for a surprise attack.

They answered some questions from Kennedy about timing and effects, and promised further information. The meeting recessed under a presidential injunction of secrecy that has not been broken until now.

The Real Missile Gap

In 1960, claims of a “missile gap” favoring the Soviets had given the Democrats a critical election theme, and many millions of Americans entered the Sixties feeling intensely vulnerable to the new Soviet ICBM threat. But as Richard Reeves has recently written, intelligence based on satellites launched in August of 1960 soon challenged the campaign assessment and public view. The United States had beaten the USSR to an operational ICBM and enjoyed a clear, and growing, numerical advantage. We were far ahead, and our military planners knew it.

Kennedy was quickly convinced of this

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Notes on National Security Council Meeting
July 20, 1961

General Hickey, Chairman of the Net Evaluation Subcommittee, presented the annual report of his group. General Lemnitzer stated that the assumption of this year's study was a surprise attack in late 1963, preceded by a period of heightened tensions.

After the presentation by General Hickey and by the various members of the Subcommittee, the President asked if there had ever been made an assessment of damage results to the U.S.S.R. which would be incurred by a preemptive attack. General Lemnitzer stated that such studies had been made and that he would bring them over and discuss them personally with the President. In recalling General Hickey's opening statement that these studies have been made since 1957, the President asked for an appraisal of the trend in the effectiveness of the attack. General Lemnitzer replied that he would also discuss this with the President.

Since the basic assumption of this year's presentation was an attack in late 1963, the President asked about probable effects in the winter of 1962. Mr. Dulles observed that the attack would be much less effective since there would be considerably fewer missiles involved. General Lemnitzer added a word of caution about accepting the precise findings of the Committee since these findings were based upon certain assumptions which themselves might not be valid.

The President posed the question as to the period of time necessary for citizens to remain in shelters following an attack. A member of the Subcommittee replied that no specific period of time could be cited due to the variables involved, but generally speaking, a period of two weeks should be expected.

The President directed that no member in attendance at the meeting disclose even the subject of the meeting.

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truth, which was further confirmed as new satellites brought back new information. Later in 1961, a National Intelligence Estimate came through showing only four Soviet ICBMs in place, all of them on low alert at a test site called Plesetsk. By fall, Defense Undersecretary Roswell Gilpatric would acknowledge in a public speech that U.S. forces (with 185 ICBMs and over 3,400 deliverable nuclear bombs at that time) were vastly superior to those of the Russians.

It was in this context, of an increasing nuclear edge based on a runaway lead in land-based missiles, that Kennedy faced his first nuclear-tinged crisis, which erupted over Berlin in July of 1961.

The Berlin Crisis

The July 20th meeting took place under conditions of unusual tension. Only three months before, Kennedy had suffered the failure of the Bay of Pigs invasion and his loss of confidence in both the CIA and the Joint Chiefs. One month before, he had been shaken by his Vienna confrontation with Nikita Khrushchev. Now, the Soviets were threatening to turn control of access to West Berlin over to the East Germans, and to conclude a separate peace treaty with that satellite state.

At the crucial National Security Council discussion of the brewing Berlin crisis on July 13, Secretary of State Dean Rusk had opposed negotiations with the Soviets until the last moment. As Arthur Schlesinger, Jr., then a special assistant, later summarized for the President, adviser Dean Acheson had prepared a paper arguing that

we are in a fateful test of wills, that our major task is to demonstrate our unalterable determination, and that Krushchev will be deterred only by a US readiness to go to nuclear war rather than to abandon the status quo. On this theory, negotiation is harmful until the crisis is well developed; then it is useful only for propaganda purposes . . . ¹

Kennedy favored negotiations over conflict. While not directly challenging

Acheson, he encouraged Schlesinger to produce an unsigned memo critical of Acheson's stance.

Schlesinger advised caution. In a passage especially pertinent to the larger issue, he wrote:

The [Acheson] paper hinges on our willingness to face nuclear war. But this option is undefined. Before you are asked to make the decision to go to nuclear war, you are entitled to know concretely what nuclear war is likely to mean. The Pentagon should be required to make an analysis of the possible levels and implications of nuclear warfare and the possible gradations of our own nuclear response.²

It is possible (though we do not know) that the decision to bring the Net Evaluation to Kennedy occurred in response to the raising of these concerns. At any rate, the meeting occurred.

The Burris Memorandum

The memorandum reproduced here was written for Vice President Lyndon Johnson, who did not attend the meeting, by Colonel Howard Burris, his military aide. Declassified only in June of 1993, it has not previously received any public attention so far as we have been able to determine.

The first paragraph introduces General Hickey and his group, the Net Evaluation Subcommittee. Although the subcommittee report is described as "annual," this would be the first one given to President Kennedy and his advisors, and it is not clear whether President Eisenhower received such reports in person. General Lyman Lemnitzer, chairman of the Joint Chiefs, stepped in to explain the "assumption" of the 1961 report: "a surprise attack in late 1963, preceded by a period of heightened tensions." The question arises: A surprise attack by whom on whom?

1. *Foreign Relations*, XIV, 173. Complete sources are given at the end of this article.

2. *Foreign Relations*, XIV, p. 173.

The following paragraphs answer the question. The second paragraph reports that after hearing the presentations, President Kennedy asked the presenters "if there had ever been made an assessment of damage results to the U.S.S.R. which would be incurred by a preemptive attack." Kennedy also asked for an effectiveness trend since "these studies have been made since 1957." Lemnitzer responded that he would later answer both of the President's questions in private.

Paragraph three records Kennedy asking a hypothetical question: what would happen if we launched a strike in the winter of 1962? Allen Dulles of the CIA responded that "the attack would be much less effective since there would be considerably fewer missiles involved." Lemnitzer then cautioned against putting too much faith in the findings since the assumptions might be faulty. The discussion thus provides a time-frame. December of 1962 was too early for an attack because the U.S. would have too few missiles; by December of 1963 there would likely be sufficient numbers.

Paragraph four reports one more Kennedy question: how much time would "citizens" need to remain in shelters following an attack? The President receives a qualified estimate of two weeks from a member of the subcommittee. The group was clearly talking about U.S. citizens protecting themselves from the globe-encircling fallout following a U.S. nuclear attack on the U.S.S.R.

Paragraph five adds to the intensity of the document with Kennedy's directive "that no member in attendance disclose even the subject of the meeting."

Other Accounts of the Meeting

So far as we know, the official record of this meeting remains secret. The excellent *Foreign Relations of the United States*, volume XIV, "Berlin Crisis 1961-1962," published in late 1993, though replete with memoranda detailing the nuclear aspects of the Berlin confrontation, makes no mention of it. The only official reference we know of is the

agenda for the National Security Council issued on July 18, 1961, declassified in 1977, which reads, simply "The Net Evaluation Subcommittee (NSC 5816; N.S. Action No. 2223) . . . Presentation of the report by the Chairman of the Subcommittee." (The most detailed discussion of the Net Evaluation Subcommittee we have found is in Desmond Ball's *Politics and Force Levels*, which identifies the larger task of the subcommittee as the preparation of revised targeting plans.)

On the other hand, the fact of a meeting, and Kennedy's personal reaction to it, has been reported. The President was displeased. But no account yet published has told what he was displeased about.

For example, Arthur Schlesinger's *Robert Kennedy and His Times* gives this account:

... Kennedy received the Net Evaluation, an annual doomsday briefing analyzing the chances of nuclear war. An Air Force General presented it, said Roswell Gilpatric, the deputy secretary of defense, "as though it were for a kindergarten class . . . Finally Kennedy got up and walked right out in the middle of it, and that was the end of it. We never had another one."³

McGeorge Bundy evidently refers to the same meeting in this passage:

In the summer of 1961 [Kennedy] went through a formal briefing on the net assessment of a general nuclear war between the two superpowers, and he expressed his own reaction to Dean Rusk as they walked from the cabinet room to the Oval Office for a private meeting on other subjects: "And we call ourselves the human race."⁴

(Dean Rusk's memoirs repeat Kennedy's remark, though they place the meeting "shortly after our assuming office." Richard Reeves does not mention the

3. Schlesinger, p. 483.

4. Bundy, p. 354.

July meeting, and attributes Kennedy's remark to a later briefing in September, 1961.)

Numerous other apparent accounts of the meeting exist, though they do not refer to it by name or date. All agree on Kennedy's reaction. But none reveal what was actually discussed. Theodore Sorenson's *Kennedy*, published only four years later, presents an understandably benign version:

That briefing confirmed, however, the harsh facts [Kennedy] already knew: (1) that neither the Soviet Union nor the United States could 'win' a nuclear war in any rational sense of the word; (2) that, except to deter an all-out Soviet attack, our threat of 'massive retaliation' to every Communist move was no longer credible, now that it invited our own destruction; and (3) that a policy of 'pre-emptive first strike' or 'preventive war' was no longer open to either side, inasmuch as even a surprise missile attack would trigger, before those missiles reached their targets, a devastating retaliation that neither country could risk or accept.⁵

Unfortunately, the critical third point was not yet true. As former Assistant Secretary of State Roger Hilsman wrote in 1967:

As the intelligence community looked at their estimates in 1958, 1959, and 1960, and even through the first half of 1961, they saw a missile gap developing that would come to a peak about 1963.⁶

What Hilsman does not say explicitly is that the estimated missile gap was in America's favor. The Soviets had virtually no operational ICBMs in 1961, a fact known to American intelligence at least by the end of 1960. And it appears the Russians did not solve their fundamental technical problem, namely building a hydrogen bomb small enough to be carried by a missile of manageable size, until years later.⁷

Dean Rusk describes the meeting as an "awesome experience" in his memoirs, *As I Saw It*, published in 1990.

President Kennedy clearly understood what nuclear war meant and was appalled by it. In our many talks together, he never worried about the threat of assassination, but he occasionally brooded over whether it would be his fate to push the nuclear button... If any of us had doubts, that 1961 briefing convinced us that a nuclear war must never be fought. Consequently, throughout the Kennedy and Johnson years we worked to establish a stable deterrent. ...⁸

What Rusk does not say is that the problem of a "stable deterrent" in 1961 did not lie in an insufficiency of American missiles. It lay, rather, in the need for the Soviets to develop sufficient effective ICBM (and submarine) forces, to deter us. That is an ugly but unavoidable fact. Rusk goes on, a page later, with comments that appear almost anguished, and for which his own account of the meeting gives no apparent rationale:

... the United States has never renounced possible first use of nuclear weapons. I personally think that the United States is committed to a second strike only, after we have received nuclear weapons on our own soil. Under no circumstances would I have participated in an order to launch a first strike, with the possible exception of a massive conventional attack on Western Europe.⁹

The July 25 Speech on Berlin

Nuclear conflict was very much in the air that week. Another document of the time

5. Sorenson, p. 513.

6. Hilsman, p. 162.

7. See Sorenson, p. 524; Bobbitt, p. 61.

8. Rusk, p. 246-7.

9. Rusk, p. 248.

indicates the directions Kennedy's nuclear thinking was actually taking—quite the Cold Warrior, but at the same time far removed from pre-emptive strikes and the inflexible all-out attack envisioned by the Joint Chiefs. This is a paper entitled "Nuclear Strategy in the Berlin Crisis," by the economist Thomas C. Schelling, which was sent to Hyannis Port over the weekend of July 21, 1961 and which, as Bundy noted, made a "deep impression" on the President. In it Schelling presented arguments for a capability, which did not then exist, to wage limited nuclear war:

... the role of nuclears in Europe should not be to win a grand nuclear campaign, but to pose a higher level of risk to the enemy. The important thing in limited nuclear war is to impress the Soviet leadership with the risk of general war—a war that may occur whether we or they intend it or not....We should plan for a war of nerve, of demonstration, and of bargaining, not of tactical target destruction.¹⁰

Schelling also advocated centralization of the control of weapons in the hands of the President so as to

permit deliberate, discriminating, selective use for dangerous nuclear bargaining. This means preventing any use, by anyone, not specifically authorized as part of the nuclear bargaining plan...This is a controlled strategic exchange.¹¹

Schelling's paper thus called attention to a key concern: the diffuse character of nuclear command and control in 1961 did not assure that the President in fact enjoyed the full authority over the bomb which most Americans assumed to be the case. Establishing such control became a priority for Kennedy in the months that followed.

The cumulative impact of this diverse

advice can be seen in Kennedy's televised address to the nation on July 25, 1961. "We cannot and will not permit the Communists to drive us out of Berlin, either gradually or by force" Yet Kennedy also stressed the dangers: "miscommunication could rain down more devastation in several hours than has been wrought in all the wars of human history." He asked for increased military appropriations and called out 150,000 reserve personnel. But he did not engage the Soviets. The Berlin Wall was allowed to remain intact when constructed in August of 1961, a symbolic column of soldiers was sent through to West Berlin, and a fallout shelter program was undertaken in the United States.

With the Burris memorandum, the reasoning behind the fallout shelter program now begins to fall into place. As a civil defense measure against a Soviet nuclear attack, the flimsy cinderblock shelters Americans were told to build were absurd. But they could indeed protect those in them, for a couple of weeks, from radiation drifting thousands of miles after a U.S. pre-emptive strike on the Soviet Union. It is known that Kennedy later regretted this program.

Down the Road: 1962 and 1963

The U.S. was far ahead in the arms race. Yet the military continued to press for a rapid build-up of strategic missiles. Curtis LeMay had asked for at least 2400 Minutemen; Thomas Powers of the Strategic Air Command had asked for 10,000. All were to be unleashed in a single paroxysm of mass annihilation, know as SIOP, the Single Integrated Operating Plan.

SIOP was a recipe for blowing up the world, whether in a first or a second strike. As McGeorge Bundy wrote to the President on July 7, 1961:

...All agree that the current strategic war plan is dangerously rigid and, if continued without amendment, may leave you with very little choice as to how you face the moment of thermonuclear truth. We believe that you may want to raise

10. *Foreign Relations*, XIV, p. 170.

11. *Foreign Relations*, XIV, p. 172.

this question with Bob McNamara in order to have a prompt review and new orders if necessary. In essence, the current plan calls for shooting off everything we have in one shot, and is so constructed as to make any more flexible course very difficult.¹²

During that summer of 1961, the Defense Secretary ordered an overhaul of SIOP carried out by RAND analysts (including Daniel Ellsberg) and quickly approved by the JCS. Kennedy and Defense Secretary Robert McNamara eventually imposed a limit of 1,000 Minuteman missiles, angering the Chiefs. Kennedy also launched efforts to gain operational control of the nuclear force, then far from being securely concentrated in the President's hands.

The Burris memorandum may help to explain both the military's drive for a vast

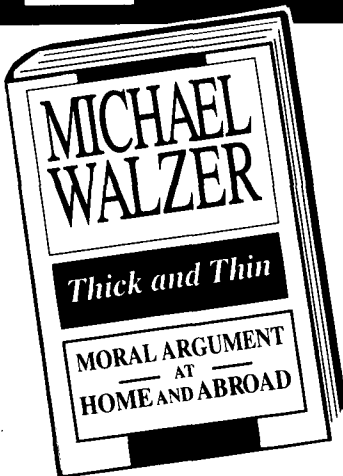
U.S. nuclear build-up, despite the fact that America was already far ahead, and the resistance from JFK and McNamara. The Net Evaluation Subcommittee had offered the Pentagon, the CIA, and President Kennedy a glimpse of the opportunity that lay ahead in the winter of 1963: U.S. nuclear superiority so complete that a first strike might be successful. But it also alerted Kennedy to a danger. American nuclear superiority might then be so complete, that rogue elements from the military and intelligence forces, seeking to precipitate an American first strike, might not feel deterred by fear of Soviet retaliation. What was the dispute over the numbers of land-based ICBMs really about? To be sure, at some level it involved the sufficiency of deterrence. But there may also have been an even graver concern: the offensive capabilities of the nuclear force, at a time when the President could not be sure of his control over the nuclear button.

By October of 1962, the U.S. nuclear lead

12. Quoted in Kaplan, p. 297.

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remained strong, though perhaps not yet airtight, given the number of Soviet bombers and the risks to Europe. Twenty years later, Anthony Cordesman described the picture:

During the Cuban missile crisis of October 1962, the US had approximately 1500 B-47s and 500 B-52s, and had already deployed over 200 of its first generation of ICBMs. In marked contrast, the Soviet strategic missile threat consisted of a few token ICBM deployments whose unreliability was so great that it was uncertain exactly whom they threatened. Soviet long range bomber forces consisted only of 100 Tu-Bears and 35 May Bison, whose range and flight characteristics forced them to fly at medium and high altitudes, and which made them extremely vulnerable to US fighters and surface-to-air missiles.¹³

Kennedy resisted strong pressures to test this advantage in October of 1962, as he might have had to do, had he agreed to launch bombing raids on the Cuban missile installations. Nikita Khrushchev's memoirs, published in 1970, tell of graphic fears expressed by Robert Kennedy to the Russian ambassador, Anatoly Dobrynin at the peak of the crisis:

Even though the President himself is very much against starting a war over Cuba, an irreversible chain of events could occur against his will... If the situation continues for much longer, the President is not sure that the military will not overthrow him and seize power. The American military could get out of control.¹⁴

Not even the American editors of Khrushchev's memoirs took these remarks seriously at the time they were first published. A rare editorial note reads: "Obviously

this is Khrushchev's own version of what was reported to him. There is no evidence that the President was acting out of fear of a military take-over."

Looking down the road, the Net Evaluation calendar of 1961 implied that the period from Cuba to Dallas and just after was, perhaps, critical to the survival of the world. Had tensions escalated or been aroused in some violent way in late 1963, the President might have faced an excruciating choice — to strike first, or to give up "victory" during the last brief moment in all history when it could conceivably have been won.

We cannot say whether Kennedy believed the Net Evaluation calendar, or indeed, perhaps equally serious, whether he believed that others in the government might believe it. We do know that the last year of his life saw repeated initiatives to settle conflicts and reduce tensions: the normalization of Berlin, the withdrawal of missiles from Turkey, the no-invasion pledge on Cuba and the effort, only partially effective, to end to the covert campaign (OP/MONGOOSE) against Castro, the test-ban treaty, and—though the point is disputed—the order in October 1963 to begin a phased withdrawal from Vietnam. By November of 1963, the potential for "heightened tensions" leading to uncontrollable pressures to strike first had indeed been reduced. And, some time later, the Soviet Rocket Forces did evidently shut the window. From that point, the world probably became a good deal more secure. But exactly when this happened is not clear.

And Lyndon Baines Johnson, the recipient of Burris's note, was still uneasy on the point when he assumed office on November 22, 1963, amid swirling rumors connecting Lee Harvey Oswald, falsely as we now know, to the KGB. David Wise, then bureau chief of the *New York Herald Tribune*, reports hearing Johnson tell in late 1963 of recruiting Earl Warren to head the Warren Commission in the following terms:

... when Warren came to the White

13. Cordesman, p. 7, cited in Bobbitt.

14. Khrushchev p. 497.

House, [LBJ] told the Chief Justice he knew he had been a first lieutenant in World War I, and he knew Earl Warren would walk across the Atlantic Ocean to save the lives of three Americans, and possibly a hundred million lives were at stake here . . . ¹⁵ 15. Wise, p. 292.

Whose lives, exactly?

One meeting, even in the White House, does not establish that first-strike was in fact the nuclear policy of the United States. Kennedy's recorded response, moreover, indicates his personal determination, shared by his civilian advisers, that it never become so. But we do know, from Howard Burris's notes, that a first strike plan had authors close to the decision center. How close, in the end, did they get? Civilian

control of nuclear forces was no sure thing in 1961. Was it secure when the window opened, if it did, in 1963? Kennedy's actions and Johnson's eerie remark are consistent with the possibility that the calendar and risks of a first-strike window remained in the minds of both men as late as November, 1963 and possibly in Johnson's mind for a good deal longer.

In any event, the fact that first-strike planning got as far as it did raises grave questions about the history of the Cold War. Much more needs to be known: about nuclear decision-making under Eisenhower and Nixon, about the events of late 1963, about later technical developments such as MIRV and Star Wars. Surely it is now time to declassify all records on this and related history. ♦

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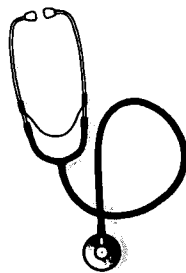
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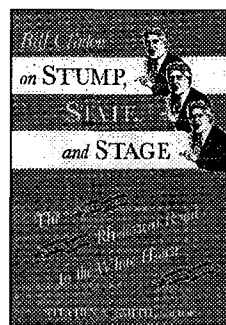
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